

Greek bill seeks to boost tax revenue

By Keith Hope in Athens

Greece's socialist government yesterday unveiled a fiscal package designed in part to counter what it believes to be rampant tax evasion.

The bill, due to go before parliament this week, raises the top income tax rate from 40 to 45 per cent, places an additional 15 per cent tax on dividends from mutual funds and investment companies, and sets criteria for taxing self-employed professionals like architects, doctors and lawyers, groups who are considered to grossly underestimate their income in order to avoid tax.

The new dividends tax comes on top of a 35 per cent tax on equity income which is with-

Brussels threat on Macedonia embargo

The European Commission yesterday gave Greece an ultimatum to lift its trade embargo against the former Yugoslav republic of Macedonia within seven days or face legal action in the European Court of Justice, writes Lionel Barber in Brussels. The decision in principle to go to the court was combined with a plea to Greece and Macedonia to resume efforts to

resolve the dispute over Macedonia's constitution and flag. Athens claims that both amount to territorial claims on the northern Greek province of Macedonia. The Commission said that the trade embargo breaches Greece's obligations under the Treaty of Rome, particularly in the area of a common commercial policy, internal market and customs union.

held at source. Greeks are nevertheless required to declare all their equity holdings, together with other non-taxable assets, which are considered indicators of wealth for future tax assessment.

"Probably fewer than 10 per cent of investors put down

their holdings on their income tax forms," said one fund manager yesterday.

Mutual funds are currently the fastest growing sector of Greece's financial market with about 80 companies, mostly private Greek banks and insurance concerns, controlling

more than Dr1,900bn (\$3,55bn). The new fiscal measure is expected to put a temporary brake on that growth and drive liquidity into tax-free government securities.

The socialist administration faces problems in financing the public sector deficit, with a

serious revenue shortfall projected this year - the increase in tax revenues for the first two months of this year was less than half the budget projection. The government borrowing requirement is forecast to exceed 15 per cent of gross domestic product against a target of 12.5 per cent.

Other measures included in the new bill are a requirement for taxpayers to disclose the source of funds used to buy property, an important repository for income from the black economy, now estimated to be worth close to 40 per cent of gross domestic product.

Personal income tax receipts in Greece amount to only about 4.5 per cent of GDP, the lowest percentage in the Euro-

pean Union, while the average income declared by self-employed businessmen and professionals is only half that declared by wage-earners.

Mr Alexandros Papadopoulos, finance minister, made a point when introducing the new measures yesterday of stressing that they were not intended to damp growth in the financial sector. He noted that the bill did not require disclosures on the source of funds used to buy shares on the Athens stock exchange. To stimulate more donations of Greek companies, which still tend to be tightly controlled by family owners and managers, the corporate tax rate for unlisted companies will be raised from 35 to 40 per cent.

EUROPEAN NEWS DIGEST

Yeltsin seeks political peace

President Boris Yeltsin sought to avert a breakdown in the fragile calm in Russian politics by asking all parties to sign up to a "civil accord", published yesterday. However, opposition figures have rejected the president's attempt to get agreement on what he sees as the basic principles of political life.

The draft proposes that signatures be made on proposals to change the constitution; refrain from seeking pre-term elections at the federal level; desist from stirring passions connected with the failed coup of August 1991 and October 1993, and the ringleaders of which have all been freed under an amnesty. Mr Yeltsin is proposing that party and regional leaders, union and enterprise heads, ministers and the president himself sign the document.

Mr Gennady Zyuganov, the Communist leader, has already dismissed the draft as unacceptable because of the moratorium on constitutional change.

As the draft was published, Mr Yeltsin again cancelled meetings yesterday and on Tuesday, raising fears of a recurrence of the ill health which has kept him from his office five weeks already this year. However, his press spokesman maintained that his health was good.

● Russia will keep around 30 military bases in former Soviet republics - including one in the Baltic republic of Latvia. John Lloyd, Moscow

Lubbers returns to avert crisis

The Dutch prime minister, Mr Ruud Lubbers, cut short an official visit to Indonesia and returned home last night in an effort to defuse differences between his ruling Christian Democratic (CDA) party and the Labour coalition partners, with a general election only one month away. The coalition today faces a parliamentary debate over its handling of a police corruption scandal.

The opposition may table a motion of no confidence in the run-up to the May polls. Yesterday, an independent NOVA/ANP opinion poll suggested that support for the CDA had plunged by a third since the 1989 elections to 19.5 per cent, putting it in last place among the four top parties now led by Labour. The main beneficiaries of voter dissatisfaction have been D66, a centrist party, the right-wing Liberals, and a number of smaller groups including those of the far-right. David Brown, Amsterdam

Bundesbank eases lending costs

The Bundesbank yesterday continued its gradual easing of lending costs by shaving a further three basis points off the securities repurchase rate at which it supplies financial markets with short-term funds. The move down to 5.75 per cent was seen as a further signal that reductions in the internationally important 5.25 per cent discount lending rate could still be expected. But analysts were divided on the timing. In the recent past the German central bank has developed a knack for making cuts when markets least expect them. Christopher Parkes, Frankfurt

Bonn's asylum curbs succeed

The number of foreigners seeking asylum in Germany has fallen dramatically since Bonn imposed tough limits on refugees last summer. The Interior Ministry said. A total of 35,222 refugees applied for asylum in the first three months of this year compared with 115,061 in the first quarter last year, down 69.7 per cent. The ministry said 12,181 refugees - most of them from eastern Europe - applied for asylum in March this year, compared with 10,487 in February and 13,154 in January. Reuter, Bonn

Sweden to reduce borrowing

Sweden's borrowing requirement for the 1993-94 budget year is likely to be SKr220bn (€19bn), well below the government's forecast of SKr270bn published in January, Mr Stefan Crona, director general of Sweden's National Debt Office, said yesterday. The National Debt Office also forecast that the borrowing requirement in 1994-95 will be SKr210bn, down from an estimate of SKr230bn in January. Mr Crona told journalists in London that the lower 1993-94 forecast reflected the impact of Sweden's economic recovery on the budget, likely privatisation receipts, including the planned sale of the state's holding in Pharmacia, and the end of the financial crisis in Sweden. Antonia Sharpe, London

Romanians follow IMF's line

Romania's government endorsed a 1994 draft austerity budget based on recommendations made by the International Monetary Fund. Revenues are set at 9,560bn lei (€4bn) and the deficit at 1,878.8bn lei, or 3.5 per cent of gross domestic product. Romania is seeking around \$700m in new IMF credits to prop up its economy. The spending was meant to boost investment, including housing construction, and to encourage exports, the government said. It would also increase the weight of indirect taxes in the structure of revenues. Reuter, Bucharest

France looking for jobs boost

Direct foreign investment in France last year will create or save some 15,500 jobs, Mr Daniel Hoefel, the French local government minister, said yesterday. European companies, led by the Germans and the Belgians, accounted for 60 per cent of jobs created or sustained by foreign investment, with American companies, long the prime investors in France, dropping to 15 per cent, the same share as Asian companies. A sharp drop in new jobs created by foreign investment from 1992 to 1993 was offset by foreign investors taking over declining companies, and maintaining employment. David Buchan, Paris

French right set for Euro-row

The decision by the UDF, one of parties in France's ruling coalition, to choose a strongly pro-European candidate to lead the government list for this June's European parliament elections has created problems within the coalition. The Gaullist RPR party had favoured a less pro-European candidate. While the RPR is likely to endorse the nomination of Toulouse mayor Dominique Baudis, the choice might drive some Gaullist voters towards a dissident conservative list. David Buchan

ECONOMIC WATCH

Greek inflation falls to 10.2%

Greece inflation

Annual % change in CPI

20

18

16

14

12

10

8

6

4

2

0

Source: Datastream

rose 10.1 per cent in the period, while consumer goods rose 24.1 per cent. Foreign orders fell 20.6 per cent, mainly because of a drop in Soviet orders. Michael Lindemann, Bonn

● Belgium's budget deficit in the first quarter was BF27,720bn (€5.3bn), up from BF27,750bn a year earlier. The deficit narrowed by BF52bn between the first quarter of 1993 and 1994.

Hungary paves way for power sell-off

By Nicholas Denton in Budapest

Hungary's parliament yesterday voted through an act regulating the electricity industry and creating the conditions for eastern Europe's first wholesale power privatisation.

The law breaks the national monopoly on electricity generation and distribution held by the electricity utility, MVM, allows for independent utilities and establishes the basis for a division along British lines between power generators and distributors.

Crucially, the legislation, on which the UK merchant bank Schroders has advised the Hungarian government, establishes a legal framework for setting prices. This gives foreign investors the pricing stability they need to bid confidently in the privatisation tender due this summer.

The electricity industry as a whole has a book value of F570bn (€3.7bn), the government claims. Its partial sale will be of roughly the same order of magnitude as Hungary's telecommunications privatisation.

Last December, Deutsche Telekom of Germany and Ameritech of the US paid \$875m for 30 per cent of national telecoms operator, Matav, in eastern Europe's largest single privatisation.

But the crucial determinant of the size of the transaction is the detailed pricing regulation of the electricity sector, which will flesh out the act passed yesterday and is due in the coming weeks. Tariffs may have to nearly double if the industry is to cover its forecast capital costs, and advisers hope that price rises can close the gap in 3-5 years.

In preparation for the electricity sale, the government has split MVM into eight generating companies and six regional distributors. West European utilities may be permitted to acquire majority stakes in six regional distribution companies.

The authorities also intend to allow complete foreign ownership in four generating companies which rely largely on coal-fired power plants and require modernisation.

The state plans, however, to retain a stake of 25 per cent in three larger conventional power complexes and to keep full control of the Paks nuclear power station.

Hungary has taken a liberal approach to foreign investment in the utilities because of the pressing need to develop infrastructure neglected under communist rule. The industry ministry estimates that the electricity sector must invest F320bn-F250bn by the year 2000 to replace outmoded capacity with more efficient, cleaner stations.

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Brussels Cup a three-horse race

Lionel Barber gives a form guide to runners in the contest to succeed Jacques Delors

Sir Leon Brittan turned up in Brussels on Tuesday night for the latest leg of his two-track mission to make the best-seller list and become the next president of the European Commission.

After suffering in (near) silence during the UK government's hapless performance in the European Union voting rights row, the senior British commissioner addressed more than 150 people at W.H. Smith who had gathered for the continental launch of his book "The Europe We Need".

Sir Leon's publicity campaign is impressive but misleading. The real struggle over the succession to Mr Jacques Delors is taking place in secret, among the EU's 12 heads of government. They will decide who gets the top executive job in Brussels, most likely when they meet at the European summit in Corfu in June.

Mr Ruud Lubbers, the long-serving Dutch prime minister, remains favourite. Mr Jean-Luc Dehaene, his Belgian opposite number, is a dark horse making late strides. Mr Felipe Gonzalez, the Spanish prime minister often rumoured as a candidate, was probably never in the starting-gate.

The secretive nature of the selection process is typical of the way the EU runs much of its business. It is a mixture of patronage, horse-trading, and arm-twisting which offers the European citizen few clues as to the importance of the job.

The Commission president is responsible for an annual budget of Ecu70bn (€53bn). He is in charge of more than 10,000 international civil servants in Brussels, regularly attends international summits, and is



Lubbers: remains the favourite



Dehaene: the dark horse



Brittan: a keen campaigner

the public face of the Union.

He also heads an institution with a monopoly on proposing Euro-legislation, something which no national or international service can rival. Increasingly, Brussels is acquiring new responsibilities in social policy, the environment, and research, as well as dispensing aid to eastern Europe and the former Soviet Union.

These myriad tasks require someone with high-class administrative and management skills together with a grasp of economics and a presence on the international stage. A Commission president lacking these risks seeing his role as unimpressive and power-broker in the Union diluted by the 12 (soon likely to be 16) heads of government.

For most of the past year, Mr Lubbers seemed the natural choice for the job. He could

draw on 12 years' experience as Dutch premier and his small-state credentials. This last asset is important because the presidency usually alternates between large and smaller states.

A Lubbers victory seemed even more likely after last October's special summit in Brussels, where EU leaders agreed a wide-ranging deal on the location of a host of new institutions. It was assumed that Chancellor Helmut Kohl's success in winning the European Monetary Institute for Frankfurt - against the rival Amsterdam - had come at the price of a promise to back Mr Lubbers. When Mr Gonzalez revealed he was committed to the contest appeared over.

Then, the dynamics of the race changed. A report in the Guardian newspaper stated that Chancellor Kohl and Pres-

ident François Mitterrand had grown cool toward Mr Lubbers and had urged Mr Dehaene to make himself available. The next day, Mr Dehaene's office declined to confirm or deny that he was a candidate, heightening speculation.

Rumours in Brussels and Bonn persist that Mr Kohl is not as keen on Mr Lubbers as was first thought. Memories linger of the Dutch presidency's shaky performance in the run-up to the Maastricht treaty, notably its ill-judged attempt to force the pace on federalism in the autumn of 1991. Another worry is that Mr Lubbers, a prime minister, may turn out to be too big for his boots. Mr Delors, after all, acquired head of state status during his 10 years in Brussels.

Yet, Mr Dehaene would undoubtedly be a bit of a gamble. His international exposure is minimal, though he chaired

Shares shrug off political worries in Italy

By Andrew Hill in Milan

Financial markets yesterday generally shrugged off the threat by Forza Italia, the political party formed by media magnate Silvio Berlusconi to force Italy back to the polls if a new government could not be formed. They had earlier been unsettled by bickering within the right-wing alliance which won last week's general elections.

Despite the prospect of continued political uncertainty, the main Milan stock market index closed nearly 1 per cent higher yesterday, although the lira lost ground against the US dollar and the D-Mark. It closed in London at L1654.83 against the dollar from L1640, and at L965 from L960.3 against the D-Mark. Analysts said they were surprised equities had not suffered, but predicted that Mr Berlusconi and his allies would eventually form a government.

On Tuesday night, Mr Berlusconi raised the political stakes by suspending talks on

forming a government. He said negotiations with his ill-matched federalist partners - the Northern League and the centristing far-right of the National Alliance - would restart only when President Oscar Luigi Scalfaro had decided who should be prime minister.

The Northern League's leader, Mr Umberto Bossi, has spent most of the last week sniping at Mr Berlusconi, claiming he should not be prime minister. Forza Italia's spokesman hit back yesterday, saying: "If Umberto Bossi betrays the will of the people once again, preventing the formation of a government, there will be no alternative except a return to the polls."

Forza Italia officials believe that if Mr Bossi does not fall into line, several of the League's newly elected deputies could defect to Mr Berlusconi's party.

Mr Bossi was expected to hold talks in Rome yesterday with representatives of the weakened centre parties.

Turkish package fails to put doubts at rest

By Tracy Corrigan in London and John Murray Brown in Ankara

Moody's, the US credit rating agency, yesterday rejected Turkey's new austerity package by warning it might lower the country's debt rating further. It currently rates Turkey Baa1, considered a sub-investment grade or "junk" rating.

"The package is positive," said Mr Guillermo Esteban, senior analyst at Moody's. "The reason for the review is whether it is sufficient and whether it is implementable. It is not too late, but it is well into the crisis."

The decision by Moody's reflected a general uncertainty in international and Turkish markets yesterday over the ability of Mrs Tansu Ciller, the prime minister, to implement the tough package of economic reforms she outlined on Tuesday.

While the interbank overnight interest rate, which has been as high as 1,000 per cent in recent weeks, dropped back to 70 per cent yesterday, dealers said they expected the fall to be short-lived. "We think

you will see overnight rates move straight back up to a range of 150 per cent to 170 per cent," said one trader at a large US bank. The overnight rate ended the day at about 80 per cent.

However, dealers were slightly more optimistic on the outlook for the currency, which ended the day at about TL40,000 to the dollar. At the start of the year it was trading at around TL15,000. "The lira was looking overvalued, but at this level it may have overshot the mark," said one currency trader.

But investors in Turkey's \$5.5bn of foreign bonds are more nervous about the country's ability to service its debt, since recent lira depreciation means Turkey's foreign currency debt has more than doubled. Dealers said Turkey would not be able to return to the international market in the foreseeable future.

The austerity package comprises inflationary price rises, including those of petrol and sugar, and longer term structural reforms such as privatisation, much of which has already been announced. But

the key to this package is Mrs Ciller's commitment to a three-month fiscal target. "No sensible government is going to commit itself to such a short-term programme if it is not serious. There would just be too much ego on its chin," says Mr Emre Yigit, head of research at Global Securities in Istanbul.

Nevertheless, the costs will be impressive. The package calls for the closure of several state companies, including the Karabuk iron and steel works, and says that others, such as the coalmines at Zonguldak and the textile conglomerate Saker Holding, will close if buyers cannot be found.

The privatisation target of \$5.5bn this year seems very ambitious, particularly as economic austerity will hit demand for the output of some companies, such as the Erdemir iron and steel works on the Black Sea.

The government will struggle to close mines at Zonguldak. They employ 26,000 in a region with little alternative employment and a long history of union militancy. See Feature

Brussels warns audio-visual sector

By Gillian Tett in Brussels and Raymond Snoddy in London

The European film and television industry is in a state of financial crisis and will decline steadily against its US competitors unless it is radically overhauled, the European Commission has warned.

The diagnosis, made in a discussion paper on the audio-visual industry adopted by the commission yesterday, calls on governments to provide more effective funding and co-operation to operate on a transnational basis. The document

appears to reflect the divisions which remain among member states over Europe's audio-visual policy in the aftermath of the General Agreement on Tariffs and Trade negotiations and the commission's own uncertainty about how far it can endorse protectionism in the European industry.

Instead of proposing a single strategy for investment, the paper poses questions about the future of regulation, financial stimulus, and national convergence in the industry.

This rhetorical formula is intended to "generate debate among the industry's practition-

ers and member states", according to Mr Joao de Deus Pinheiro, EU cultural commissioner.

The vagueness of the paper is likely to disappoint some producers hoping for more urgent and concrete proposals.

Commission green papers, however, deliberately avoid being prescriptive and do not contain precise proposals.

Both Mr Pinheiro, and Mr Jacques Delors, the commission president, are expected to put their political weight behind the document at a press conference today. Both have been keen to stress the politi-

cal significance of the report, pitched as a cornerstone of the commission's manifesto for developing Europe's "information highways".

A group of leading European television and film producers and distributors, including Mr David Puttnam, were among those who submitted much more precise proposals to the Commission.

They argued for a levy on every sector of the audio-visual industry to help fund more commercially-orientated production and "soft loans" to help create a number of competing European-wide distribu-

tion organisations each capitalised at up to Ecu1bn (€750m).

Nearly 80 per cent of the films shown in Europe are now of US origin, the paper notes, with US film distributors enjoying a huge advantage over their fragmented and under-funded European counterparts, currently split between 1,000 different operators.

The Commission is due to submit the paper to the European parliament for discussion in the autumn, before drawing up proposals for possible new legislation at the end of the year.

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Ron Carey of the Teamsters: 'no choice but to strike'

Teamsters in first big strike for 15 years

By George Graham
in Washington

Picket lines went up across the US yesterday as the once powerful Teamsters union launched its first big strike in 15 years against 22 road haulage companies, but little immediate effect was felt on deliveries.

Mr Ron Carey, Teamsters president, called about 75,000 members out on strike after talks broke down over the haulage companies' plan to use more part-time workers and to send more goods by rail.

"We have no other choice but to strike," Mr Carey said. The companies targeted by the Teamsters' strike, which belong to a negotiating consortium called Trucking Management Inc, handle about half of all consolidated road freight in the US - single truck loads made up by the haulage companies of consignments that on their own make up less than a full load.

They include companies such as Consolidated Freightways, ABF Freight Systems, and Roadway Express, which have faced increasing competition in segments of their market from parcel delivery companies such as UPS.

The strike is most likely to affect deliveries of manufacturing components, small finished

goods and non-perishable groceries, but is not expected to constrict food supplies, since most supermarket chains have their own truck fleets.

The trucking companies currently ship between 5 and 15 per cent of their freight by rail, but had proposed a new contract allowing up to 35 per cent to move by rail. They also wanted a quarter of the work in their terminals to be done by part time workers, giving them more flexibility to deal with peaks in demand.

For the Teamsters, the strike is a critical test. Mr Carey was elected president in 1991 as the leader of an effort to clean up the scandal-ridden union, which had been operating under a federal court order as part of a settlement of allegations stemming from its close links with organised crime. Three of Mr Carey's six immediate predecessors went to prison, and two others were the objects of criminal investigations when they left office.

His leadership has been called into question, however, and the union's finances, especially its strike fund, are in poor shape. Members last month voted against an increase in union dues but the Teamsters have secured a \$50m loan guarantee from the AFL-CIO, the US labour union federation.

Mexico defends currency

By Damian Fraser
in Mexico City

Mexican interest rates rose sharply yesterday, as the government sought to stem an outflow of foreign capital which is threatening the stability of the exchange rate.

Short-term rates on 28-day paper rose to 14.31 per cent, an increase of 2.7 percentage points on the day, and up from 8.81 per cent in late February. One year rates also rose to 13.66 per cent, a level not seen since last August.

The stockmarket reacted badly to the interest rate rise, falling 1.4 per cent by mid-session, to 22,503. Mexico's economy was formally in recession in the second half of last year, and the government had been hoping for a rapid recovery before August's presidential elections.

But the peso strengthened slightly, to 3.35 to the dollar yesterday morning, although it remained close to its permitted limit, and about 8 per cent weaker than at the beginning of the year.

A devaluation of the peso outside the central bank's exchange rate band would come as a serious political blow to the government.

Turmoil laid at new government's door, writes Bernard Simon Canada Liberals dismay markets

Canada's Liberal government has sought to soothe the financial markets with promises of economic rectitude since it came to office last November, but its response to their recent turbulence has raised doubts about its commitment. Market sentiment has taken a heavy toll in recent weeks.

The Bank of Canada set its trend-setting Bank rate, or discount rate, at 6.21 per cent this week, sharply above the low of 3.87 per cent in early February. Commercial banks have raised their prime lending rates twice in the past three weeks to 6.75 per cent and another rise is expected soon.

Yields on long-term government bonds reached 8.5 per cent this week, from 7.1 per cent in early February and mortgage rates have jumped.

But the interest rate rises have been too little and too late to prevent a run on the Canadian dollar which has sunk to its lowest level in eight years. The currency has slid by almost four US cents in two months, touching a low of 71.62 on Tuesday. The slide began with the US Federal Reserve Board's landmark tightening of monetary policy in early February, which resulted in greater changes north of the

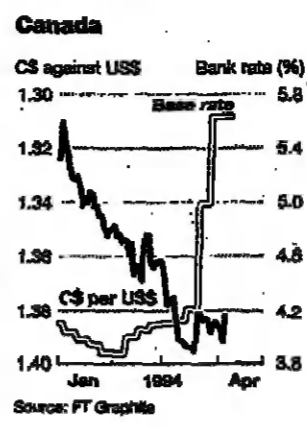
border than in the US itself.

The gap between US and Canadian 10-year bond yields has widened over the past two months from about 7/10th of a percentage point to 1.25 points. The spread on short-term securities has opened up even further. This divergence does not appear justified by the relative performance of the two economies. Canada's inflation rate, at a year-on-year rate of 1.3 per cent in February, is well below the US. The business recovery has also been far less robust in Canada, where unemployment remains over 11 per cent.

Economists place much of the blame for the rattled markets on the Liberal finance minister, Mr Paul Martin, and on Mr Gordon Thiessen, whom the Liberals named as Bank of Canada governor last February to replace Mr John Crow. The stated aim of both men is to balance low inflation and fiscal restraint with steady growth and job creation.

"The balanced approach is a code word for getting nothing done," says Mr George Vasic, chief economist at securities firm Bunting Warburg.

Mr Thiessen has certainly displayed a less single-minded commitment than Mr Crow to attacking inflation. "Crow would have left no room for



Source: FT Graphics



Chrétien: avoiding cuts

doubt," said one unhappy finance ministry official.

Mr Thiessen on Tuesday did reaffirm an inflation target of between 1 and 3 per cent for the next three years - in his first keynote speech. And Mr Martin raised half a cheer in the markets with his first budget last February, in which he promised to bring down the federal deficit from C\$45.7bn in the year to March 31, 1994, to C\$38.7bn in fiscal 1995 and C\$32.7bn in 1996.

Closer examination of the budget and subsequent statements by Mr Martin and Mr Jean Chrétien, the prime minister, suggest the Liberals are reluctant to achieve targets

below yesterday's level of 8.9 per cent. With debt-service payments accounting for about a third of all government outlays, any jump in interest rates can quickly undermine budget projections.

Mr Thiessen and Mr Martin do appear to have calmed the markets for the time being. In the past two days, bond prices and the Canadian dollar have recovered part of their losses.

But the turbulence of the past few weeks has revealed the fragility of investor confidence in Canada and several more potentially unsettling events are on the horizon.

Quebec separatists are confident of a strong showing in elections later this year. If they win, they have promised to hold a referendum on independence for the francophone province within 12 months.

The ten provinces will present their 1994-1995 budgets over the next six weeks. Their combined borrowings now exceed those of the federal government.

"You've got to be betting on a weak currency," Mr Michael Manford, chief economist at ScotiaMcLeod said yesterday. Scotia has lowered its 1994 forecast of the Canadian dollar to between 71.4 and 73.5 US cents.

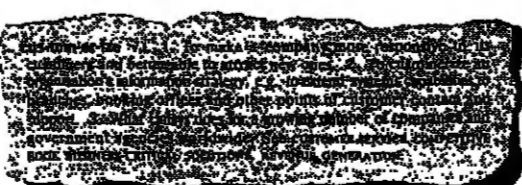
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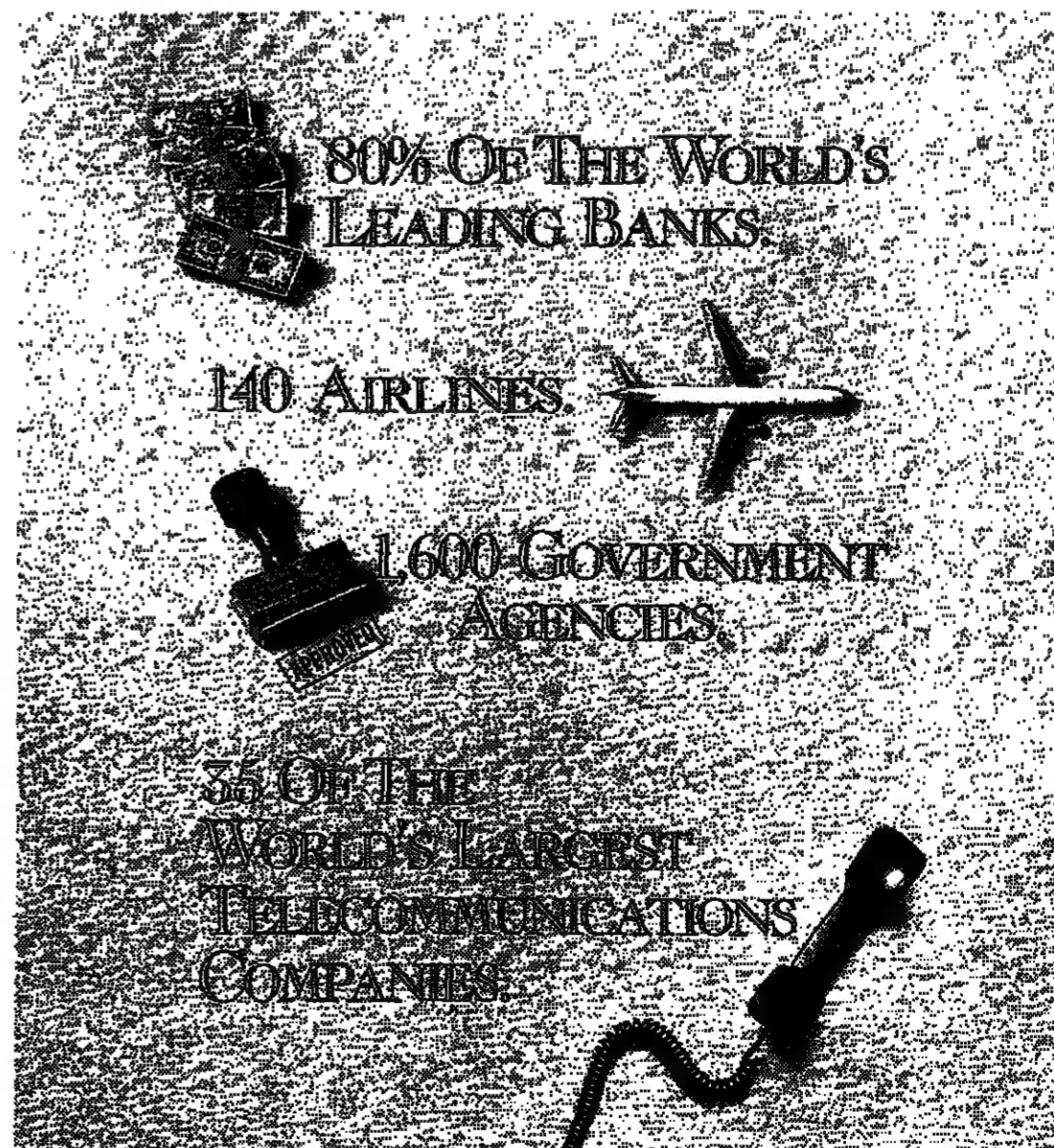
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NEWS IN BRIEF

Maine relents over drink boxes

The state of Maine has been forced to back down in its fight against drink boxes, the rectangular laminated packages made by companies such as Tetra-Pak and CombiBloc. George Graham reports from Washington.

Governor John McKernan this week signed a bill repealing Maine's three and a half year ban on the drink box, which is more difficult to recycle than aluminium cans or glass bottles and which the state feared would fill up all scarce landfills. But the boxes have proved a hit with consumers, who buy around 40m of them in the US each year.

Maine's state legislature decided in 1990 to ban the boxes, but last month, after years of industry pressure, it reversed itself. Packaging companies have agreed, in exchange, to help municipalities set up recycling programmes.

Honduras murder plot

The Honduran army said on Tuesday it was investigating a foiled plot to assassinate President Carlos Roberto Reina and kidnap a businessman. Reuters reports from Tegucigalpa. Lt Col Napoleon Santos, an army spokesman, said one of four men implicated in the conspiracy had said a Honduran citizen with links to the drug trade had offered the group \$400,000 to kill the president and more than \$800,000 to kidnap the businessman.

Chilean police chief row

President Eduardo Frei of Chile yesterday threatened to convoke the National Security Council to force the resignation of his chief of police, General Rodolfo Stange, writes David Pilling from Santiago. Under the 1980 constitution, drawn up by the military, the president cannot dismiss commanders-in-chief of the armed forces, of which the police chief is one, although President Frei has made it clear he believes Gen Stange's position to be untenable.

The chamber of deputies added weight to President Frei's cause by passing an emergency motion describing as "regrettable" Gen Stange's refusal to resign after being implicated in an alleged cover-up of the 1985 murder of three communists.

Ecuador debt payment

Ecuador yesterday announced it would resume interest payment on its \$7bn (\$4.7bn) foreign commercial debt, it stopped servicing in September, 1992. Raymond Collitt writes from Quito. Though the initial payment of \$5m towards interest in arrears is only symbolic, Finance Minister Cesar Robalino said it would allow negotiations with the commercial banks to move ahead.

UN's Somalia military role attacked

Mr Harper's attack came amid allegations of a cover-up of a report on the massacre in June last year of 23 Pakistani soldiers serving as part of the UN forces. The UN-commissioned inquiry has never been released.

South Africa throbs to an electoral beat

Natal voters have been unable to operate in Inkatha areas since mid-February. They believe the recent imposition of a state of emergency will only spark further resentment in Inkatha areas.

But voter educators complain that the ANC, too, is hindering their work in Natal.

"We're having problems in ANC areas as well. We're being told that if we're not teaching people to vote ANC, we're not to be doing voter education," says Ma Carole Beasley of the Community Law Centre in Durban. But Inkatha's names will not appear on the final list.

No amount of voter education can solve South Africa's real problems, which remain political.

China under pressure over HK newsman

By Simon Holberton
in Hong Kong

China yesterday came under pressure from its own supporters in Hong Kong to explain why it had sentenced a journalist working for one of the colony's leading daily newspapers to 12 years in jail.

Earlier this week it emerged that Mr Xi Yang, a Beijing correspondent for the Ming Pao daily, had been found guilty of "stealing and spying on state secrets".

The sentence came after a trial held in camera, at which Mr Xi was not represented by a lawyer. An employee at the People's Bank of China, the central bank, was sentenced to 15 years' prison for assisting Mr Xi in his work. The sentence meted out to Mr Xi was seen in Hong Kong as disproportionate to any he might have committed.

Some observers said it was a classic example of the Chinese adage "to kill a chicken to scare a monkey", in other words, to warn Hong Kong's news media of the limits to inquiry by severely punishing one of their number.

Last summer Mr Xi wrote a series of articles about China's attempt to cool its economy.

He reported that the People's Bank had sold gold to buy yuan to stabilise the currency; also, he forecast accurately a rise in short-term interest rates.

Leading pro-Beijing figures such as Mr Tsang Yok Sing, leader of a China-funded political party in the colony, and Mr Xu Ximing, publisher of a pro-Beijing magazine, called on China to prove that Mr Xi was engaged in anything other than news-gathering.

Mr Xu said the 12-year sentence was too heavy. Mr Xi had never used the information he got "in any other way involving espionage, apart from printing it in the newspaper."

Mr Xi has been given leave to appeal against the verdict of Beijing's Intermediate Court.

Mr Kevin Lau, vice-president of Hong Kong's journalists' association, said the verdict had scared Hong Kong-based journalists who have to travel to China.

There were no objective criteria for what constituted a secret in China, he added.

He said that after Hong Kong's return to China in 1997, it will have to enact laws to protect state secrets. China's law was "vague and subject to arbitrary interpretation".

France is anxious to lay the

Paris tries to melt Beijing ice

Balladur wants warmer relations, say Tony Walker and John Ridding

Mr Edouard Balladur, France's prime minister, could have picked a better week to visit Beijing for talks aimed at celebrating a warming of Sino-French relations after the ice-coldness of the past year or so.

China's announcement on Monday that it was investigating its most prominent dissident for new, and as yet unspecified, crimes has cast a considerable shadow over the visit.

Mr Balladur, due to arrive in Beijing today, can hardly avoid broaching with his Chinese hosts the subject of Mr Wei Jingsheng's incarceration. At the very least, the continued detention of Mr Wei would preclude any possibility of a visit to France this year by China's Premier Li Peng.

French officials have been contrasting the relatively low-key Balladur mission to China with that of Germany's Chancellor Helmut Kohl last November. Mr Kohl arrived in Beijing with a clutch of German industrialists who then proceeded to sign deals worth about \$2bn (£1.35bn), including a Siemens agreement to build the Guangzhou subway.

Mr Balladur, on the other hand, will be travelling with a relatively small delegation including Mr Alain Juppé, his foreign minister, and Mr Gérard Longuet, trade and industry minister. But this is not to say the Balladur mission is without commercial importance.

France is anxious to lay the

groundwork for a revival of business relations chilled following the 1992 decision of the previous French government to allow the sale of about \$2.6bn worth of armaments to Taiwan, including 60 Mirage 2000-5 fighters and 1,500 surface-to-air missiles.

A furious Beijing ordered closure of France's consulate in Guangzhou, and discriminated against French compa-

share of China's imports fell to just 1.5 per cent in 1993 compared with 3 per cent in 1990.

Mr Longuet estimates that contracts worth more than FF83bn (\$354m) were lost during the 1992-94 chill. The Patronat, the French employers' federation, puts the tally at almost double official estimates.

French business will be hoping that the Balladur mission

will at least improve access to what is proving a highly competitive market. France's powerful energy, utilities and communications groups hope to derive early benefits from the Sino-French rapprochement.

"It is clear that we have been at a disadvantage compared with other western groups," said an executive of a French engineering company. "Now we have the opportunity to compete on an equal footing."

Electricité de France and Framatome, suppliers of technology for China's Daya Bay nuclear complex, as well as Alsthom, the engineering group, are all jostling with international competitors to supply China's energy needs.

Alcatel is similarly enthusiastic about Beijing's plans to raise almost tenfold the number of its telephone lines over the next five years. Aérosp-

'We have been at a disadvantage compared with other western groups' - French industrialist

nies bidding for Chinese contracts.

Mr Balladur's ministers have made little attempt to disguise the impulses that led to the mid-January Sino-French declaration which placed a moratorium on further arms sales to Taiwan and opened the way for restoration of what were described as "friendly relations".

Mr Juppé, in an interview last November with the French newspaper Les Echos, asked with Gallic pragmatism: "Shall we place our bets on a country with 21m people or one with 1.3bn people? One that is the world's third largest economy? The choice is clear. France wants to re-establish trusting relations with China."

France's disquiet over its diminishing stake in business with China is borne out by trade figures which showed its

share of China's imports fell to just 1.5 per cent in 1993 compared with 3 per cent in 1990.

Mr Longuet estimates that contracts worth more than FF83bn (\$354m) were lost during the 1992-94 chill. The Patronat, the French employers' federation, puts the tally at almost double official estimates.

French business will be hoping that the Balladur mission

will be to oil the political relationship with Beijing and improve the consultative process between fellow Security Council members.

"We became marginalised in relations with Beijing," said a French foreign ministry official, adding that "it is worrying when one considers the growing diplomatic and regional importance of China."

But French and Chinese wishes to make a fresh start in relations are certain to be bedevilled by the human rights issue, especially if Mr Wei continues to be held for questioning during the Balladur visit.

Mr Juppé told Le Figaro last week: "France has no intention of closing its eyes to the problems of human rights in China." France's overtures to Beijing have been based on pragmatism. The limits of that approach will be tested this week.



Mieno: "Japanese economy close to hitting bottom"

Bank chief more confident on Japan economy

By William Dawkins in Tokyo

Mr Yasushi Mieno, governor of the Bank of Japan, yesterday slightly upgraded his view of the economic outlook, after a quarterly meeting with regional branch managers.

"The economy is brighter and close to hitting bottom," said Mr Mieno, a mildly less cautious choice of words than his pronouncement last week that the conditions for recovery were falling into place.

He said his view had "delicately" changed in the light of a three-day day meeting with 39 branch managers, ending yesterday.

Branch managers told Mr Mieno that corporate sentiment had improved and that

executives were discussing the size, rather than the timing, of a recovery. Japanese companies had made steady progress in winding down surplus stocks and in restructuring. Exports were improving in response to a rise in overseas demand led by the US, said Mr Mieno. "Improvements in domestic activities are spreading," he added.

There was only a "slim" risk that these signs of economic improvement would evaporate, as did a phantom upturn this time last year, he maintained. However, he warned that the yen's continued strength, the impasse in trade talks with the US and staff reductions by Japanese companies might still harm the economic outlook.

UN envoy fails to win Afghan ceasefire

A United Nations envoy left the Afghan capital, Kabul, yesterday saying he had failed to win a commitment for a ceasefire from President Burhanuddin Rabbani and his rival, Prime Minister Gulbuddin Hekmatyar. Reuters reports from Kabul.

"I have not got a firm commitment from the conflicting sides for a lasting ceasefire," Mr Mahmud Mestiri, special envoy of Mr Boutros Boutros Ghali, UN secretary-general, said at the end of a five-day visit.

He planned to meet leaders of Afghanistan's provinces over the next two weeks to try to find a way of ending the fighting before returning to

Kabul for final talks with the rival leaders.

Mr Mestiri had two rounds of talks with Mr Rabbani and met Mr Hekmatyar at the prime minister's headquarters south of Kabul to try to mediate an end to two years of factional warfare.

"We prefer a permanent ceasefire to a temporary one, not only in Kabul but in all of Afghanistan," Mr Rabbani declared after his talks with Mr Mestiri.

The two sides had agreed to a ceasefire during the envoy's visit, although clashes erupted in the Tagab Valley, about 40 miles north-east of Kabul.

"I asked the leaders, especially the fighting sides, to extend the ceasefire which has been holding during this visit," Mr Mestiri said.

"We think that Kabul must not return to the inhuman conditions of the past three months of war."

The International Committee of the Red Cross says 2,500 people have been killed, 17,000 wounded and 300,000 made homeless since the latest round of the war for supremacy in Kabul erupted on New Year's Day.

More than 11,000 people have been killed and a third of Kabul's 1.5m residents have fled the fighting since Mujahideen groups took power from the for-

mer communist government and formed an Islamic coalition in April 1992.

Mr Rabbani said he had asked the UN to continue its involvement in Afghanistan.

"I hope with the co-operation of the United Nations that a decision-making body could be established soon, made up of people's delegates from all over Afghanistan," he added.

Mr Hekmatyar has demanded Mr Rabbani's resignation as a prerequisite for peace.

Mr Rabbani refuses, saying his departure would open a dangerous power vacuum.

Manila 'drug police' claim

Ten per cent of metropolitan Manila's police force are protectors or members of drug syndicates, the Manila newspaper Today quoted Police Director Ricardo Sarmiento as saying yesterday. Reuters reports from Manila. It claimed he said some were involved with Asian drug rings, including Hong Kong's 14K Triad. All members of the country's police force were ordered to undergo drug tests, to fight the rising number said to be using drugs.



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NEWS: WORLD TRADE

Gatt's successor to be given real clout

Frances Williams on the likely workings of the World Trade Organisation

The World Trade Organisation that succeeds the General Agreement on Tariffs and Trade next year will be a bigger beast but in most respects a similar animal to its predecessor.

If negotiations with the Swiss government go well, the WTO will be comfortably ensconced in Gatt's existing Egyptian building by Lake Geneva.

The present staff will stay - though there will be some new faces. Transformation of Gatt from an interim, albeit long-standing, secretariat to a fully fledged international organisation represents a useful legal "tidying-up" of its anomalous position.

The WTO will continue to operate, as Gatt does, on the basis of consensus and mutual agreement between member governments. The differences, however, are crucial. The WTO will have stronger, clearer rules applying to virtually all areas of world trade, from agriculture to accountancy. Even more important, those rules will be enforced by a semi-judicial dispute procedure which will no longer allow countries to block findings against them.

All those wanting to join the WTO must accept the results of the Uruguay Round of trade liberalisation talks in their entirety. A general council of WTO members will have subsidiary bodies responsible for trade in goods, services and intellectual property.

But the organisation's top decision-

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, has called a meeting of trade envoys to discuss a dispute between the US and developing countries over trade and labour conditions, a spokesman said yesterday, report Reuters in Geneva and David Goodhart, Labour Editor, in London.

The spokesman said Mr Sutherland was in intense consultations on the problem, that has overshadowed a gathering of ministers from 121 countries in Marrakesh next week to sign new Gatt world trade accords.

taking forum will be a two-yearly ministerial meeting - an attempt to give the organisation more political clout in capitals and a higher profile internationally.

Mr Peter Sutherland, Gatt director-general, has made no secret of his desire to reclaim for the WTO the role assigned to the stillborn International Trade Organisation in global economic policy-making.

The WTO, negotiated in 1948, was intended to operate as an equal alongside the International Monetary Fund and the World Bank when these institutions were set up after the war. After the US Congress refused to ratify the ITO, the Gatt remained as a contractual arrangement between governments, serviced by the secretariat to the ITO interim committee.

Not everyone shares Mr Sutherland's lofty ambitions for the WTO.

He said Mr Sutherland would report to the ambassadors to Gatt on his consultations "and see if there were a possibility of some kind of accommodation".

The US, backed by France, wants a ministerial declaration in Marrakesh to accept that a new World Trade Organisation, to replace the Gatt next year, would deal with the link between trade and labour.

Developing countries fear this would open the door to new tariffs on their goods to compensate for the fact that they are produced with cheaper

labour, and have refused to consider any reference to the issue in the Marrakesh declaration.

The European Parliament might also refuse to ratify the Gatt deal early in May if the Marrakesh meeting later this month produces no commitment to examine the link between trade and workers' rights. Mr Michael Hindley, leader of the majority socialist group on the European Parliament's external trade committee, said yesterday that the socialist group may refuse to ratify the treaty.

Every stage of the procedure is subject to strict time limits.

The US, which has loudly voiced its frustrations with the present system, has high hopes of the new one. "The new system... will work and it will work fast," Mr Mickey Kantor, US trade representative, told Congress in January. He noted approvingly that there will also be the possibility of cross-retaliation - the raising of tariffs, say, for a breach of the intellectual property rules.

However, the new system will also substantially diminish the scope for unilateral US action, a key objective of the EU and developing countries in the Uruguay Round talks. WTO members are obliged to use multilateral dispute settlement wherever available. And since WTO rules will extend to services and intellectual property as well as goods, most disputes

will fall within its jurisdiction.

Some trade officials have predicted a wave of test cases, especially in relation to the new accord on intellectual property rights - but Gatt is not expected to be a big permanent increase in the present workload. About a dozen disputes are going through panel procedures.

Nevertheless, Gatt says it will need more lawyers, especially to service the appellate body, and there will have to be extra staff to cope with the WTO's work on services and intellectual property rights.

Though the final word on the WTO's expansion will rest with member governments, who will have to approve an increase in the present \$F94m (\$45m) annual budget, Gatt expects to add 40-50 professionals to the 180 it currently employs within its 400-strong staff.

Gatt officials point out that the WTO will remain tiny by the standards of other international organisations. The World Bank, with a budget of \$F1.5m, employs 3,700 professionals. The IMF has 1,300 professionals and a budget of \$F47m. Even the Paris-based OECD, which has no executive functions, employs 1,100 professionals with a budget of \$F350m.

"When you consider that the Uruguay Round agreement is going to generate up to \$270bn (\$182bn) annually in extra world income in the goods area alone, the WTO represents a pretty good return on investment," says one top official, half-seriously.



Indian demonstrators burn an effigy of Arthur Dunkel, former director-general of Gatt

Protests grow in India over Gatt accord

By Stefan Wagstyl in New Delhi

Hundreds of thousands of protesters staged a rally in New Delhi yesterday, in the biggest demonstration so far of public opposition to the Uruguay Round agreement on world trade liberalisation.

The meeting, organised by the right-wing militant Hindu Bharatiya Janata party, followed another on Tuesday called by left-wing groups, which also attracted more than 100,000 people.

At both events, speakers condemned the Uruguay Round draft accord as an instrument of oppression foisted by rich countries on the developing world. They said the agreement would pave the way to new economic enslavement of India.

At yesterday's rally, Mr Arthur Dunkel, former director-general of Gatt Trade, was burnt in effigy. The rallies highlight fears in India and other developing countries that

the US and other rich countries will use the new World Trade Organisation, which is being established to replace Gatt, to impose one-sided conditions for trade with third world nations.

The public protests have not persuaded the government of Mr Narasimha Rao, the prime minister, to change its mind about approving the Uruguay Round pact at the Gatt meeting in Marrakesh next week.

Like most other developing country leaders Mr Rao has accepted that the benefits of the agreement, in terms of greater access to world markets, outweigh disadvantages, such as opening India's markets to foreign companies faster than he would like.

But the recent US move to link trade pacts to social issues including minimum wage levels, pollution controls and human rights has angered India and other developing countries. The US action gave fresh impetus to the organisers of this week's Delhi rallies.

Tokyo backs US drive on labour

Developing country members of Gatt would benefit from a US proposal to establish an organisation to discuss the issue of labour standards and trade, Japan's ambassador to Gatt said yesterday, Michio Nakamoto reports from Tokyo.

Mr Nobutoshiki Akao said "developing countries should not be too worried" about the US proposal, since the proposal was merely to discuss the issue rather than make any decisions right away.

The US has threatened to upset the signing of the Uruguay Round agreement in Marrakesh next week by insisting its proposal to establish a committee to discuss labour standards under Gatt be included in the declaration.

The US proposal is strongly opposed by developing countries, which fear the issue of labour standards could be used against them as a protectionist measure by industrialised countries.

Correction US-Soviet launch venture

An article published on March 18 ("US-Russian space venture in key deals") stated that Lockheed-Khrunichev-Energia International (LKEI), a US-Russian venture to launch satellites using Russian Proton rockets, had secured contracts to launch up to five satellites for Societe Europeenne des Satellites (SES), the operator of the pan-European Astra satellite system.

Although LKEI has recon- firmed it has an agreement to provide launch services for SES, a final decision on the launch provider for Astra 1F will, according to SES, not be made before the end of 1994. The US-Russian venture has pointed out that final agreements have yet to be reached on specific launches.

SES said that it has not signed a contract for the launch of five satellites on board Proton launch vehicles. However, SES is "considering launching the Astra 1F satellite on a Proton launch vehicle," said Mr Yves Feltes, a spokesman for SES, "and is proceeding with technical activities necessary to make such a launch feasible."

SES was incorrectly identified in our report as the operator of the DirectTV satellite broadcast system, which is about to be introduced in the US by Hughes. We regret this error.

Warning on China MFN row

By George Graham in Washington

The World Bank has warned the US and China that both countries could face consequences ranging "from the dramatic to the disastrous" if the US were to withdraw most favoured nation trade privileges from China.

In a study of trade reform in China the Washington-based development bank estimates that Chinese exports to the US could drop by between 42 and 96 per cent if the MFN privileges are not renewed - a loss of between \$7bn (\$4.7bn) and \$15.2bn (\$10.2bn).

The Clinton administration has demanded progress on a number of human rights issues before it will agree to renew MFN, which is due to expire on June 3.

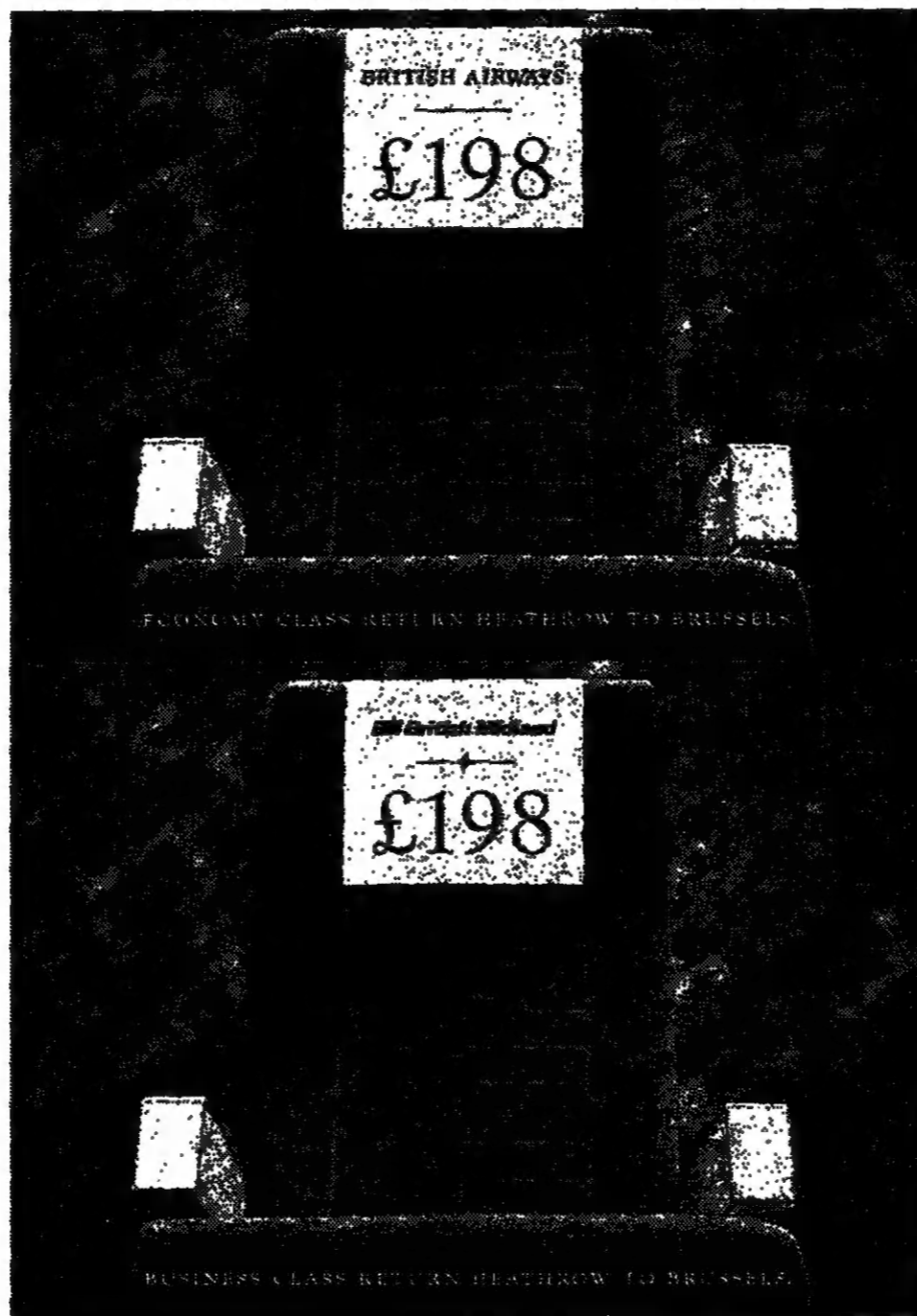
An end to MFN privileges would mean that Chinese goods would be taxed at general tariff rates which are often five to ten times higher than MFN rates. The average tariff would rise from 13.4 per cent to 42 per cent.

The precise effects will vary, depending on how much other countries are able to sell substitutes for goods now sold by China.

US consumers could also lose, the World Bank says. They might end up paying as much as \$1.4bn a year more in higher prices.

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Sinn Féin petitions Downing Street

By Michael Cassell

Downing Street was last night studying a letter from Mr Gerry Adams, president of Sinn Féin, calling for direct talks on Northern Ireland, but the government continued to insist there could be no dialogue without a permanent end to violence.

The letter urging Mr John Major, the prime minister, to end the stalemate by meeting Sinn Féin to clarify the Downing Street declaration was delivered to No 10 on the first day of the IRA's three-day ceasefire.

A Downing Street spokesman reacted cautiously, saying it might respond to Mr Adams' request for talks, which the Sinn Féin leader says would be aimed exclusively at clarification and not negotiation, "in the next day or two".

Earlier in the day, however, Downing Street had reiterated the government's position: "We are not negotiating with them and we are not going to clarify the joint declaration. They know what needs to be done, a renunciation of violence".

Despite suspicions voiced by some unionist politicians that the two sides are already in touch, Mr Tom Hartley, Sinn Féin's national chairman, yesterday denied his party was in contact with the government. He said he was not aware that any part of the republican movement was currently in contact with London.

With an extension to the IRA



At the gates of Downing Street are Sinn Féin's Tom Hartley, national chairman, and Lucilita Bhreatnach, general secretary

ceasefire - due to end at midnight tomorrow - appearing highly unlikely in the absence of a positive government response, prospects for a breakthrough remain slim. Security forces in the province remain on full alert despite the temporary suspension of violence and there are fears that the end of the ceasefire will be accompanied by an upsurge in paramilitary activity by republican and loyalist extremists.

Mr Hartley, who was in London to deliver Mr Adams' letter, urged Mr Major to give an "imaginative response" to what he described as an "unprecedented initiative" by the IRA which demonstrated republican readiness to be flexible in the search for peace.

He criticised the government's refusal to talk to Sinn Féin, given its readiness to do so from mid-1990 until late last year. "When we raised points for clarification then, we got them very easily. It does seem

odd the British are now saying 'no' at a time when there is a real possibility of political movement and a momentum being created".

Mr Hartley said the IRA had made three important initiatives in the course of the last year. In May 1993, it offered a two-week ceasefire, which was rejected by the British government.

Last September, said Mr Hartley, it supported the joint peace plan put forward by Mr

Adams and by Mr John Hume, leader of the Social Democratic and Labour party. Now it had enacted the first ceasefire of its kind in 20 years.

Ms Lucilita Bhreatnach, Sinn Féin general secretary, said Dublin had provided satisfactory clarification of the Downing Street document but that ambiguities and uncertainties remained which London had to clear up. She declined to be more specific, saying it would be "unhelpful" at this stage.

Britain in brief



Berlin soccer match off over security

England's friendly international football match with Germany, scheduled for April 20 in Berlin, is off, the UK Football Association announced. The news comes against a background of fears that the exhibition game at the Olympic Stadium would prompt violence by neo-Nazi extremists and their leftwing opponents.

German soccer officials had pressed for the game to go ahead, saying it would be a mistake to give in to threats of rallies and demonstrations by political radicals.

The game was originally scheduled for Hamburg but was moved to Berlin after Hamburg officials said they could not guarantee security. Authorities feared the game could be a flashpoint for hooligans and extremists from Germany, England, the Netherlands and other countries.

The Olympic stadium was built by Hitler as a showcase for the 1936 Berlin Olympics. English officials appeared reluctant to become involved in any incidents which could tarnish their image and reputation before England hosts the next European championships in 1996.

England first played in Berlin's Olympic Stadium in 1938, when, controversially, the players were ordered to give the Nazi salute.

court awards to Names who are suing their agents for negligence.

In a letter to Names GW Run Off, the agency now managing the Gooda syndicates, said: "certain results are materially worse than the estimates referred to in our preliminary report to Names issued in January 1994."

Total losses of the seven syndicates now amount to £988.4m and are expected to amount eventually to more than £1.15bn. GW Run Off said that claims paid during 1993 on business underwritten in previous years had exceeded earlier forecasts by £63.22m.

Overall Lloyd's Names - the individuals whose assets support the insurance market - have suffered losses of more than £7bn since 1988.

consistently above the government's target range of 0.4 per cent, although the authorities have pointed to low interest rates, which reduce the effective cost of holding cash, as a contributory factor.

M0 growth has traditionally been assumed to be correlated with retail sales. However, analysts warned that special factors may have applied in March. According to Mr Peter Warburton, chief economist at Robert Fleming Securities "the fact that Easter fell right at the start of April means consumers will have built up cash at the end of March."

Reserves rise \$89m

The UK's gold and foreign currency reserves rose by \$89m last month, taking reserves at the end of March to \$43.5bn compared with \$43.4bn at the end of February. The underlying change in reserves - which excludes various factors such as proceeds from this month's tender of UK eco Treasury bills - was a drop of \$45m. BT privatisation receipts - also excluded in the underlying change - amounted to \$142m.

Bangers and dash...

Workers at a Scottish crisp factory found a live first world war French army hand grenade in a shipment of potatoes - for the second time in 10 days. The grenade, dating back like its predecessor to the Battle of the Somme, was spotted before it entered the manufacturing process. It was then blown up by army bomb disposal experts.

The first grenade, of the French army "modelle 1" type, turned up on Saturday March 26 in a 20-tonne consignment of French potatoes which arrived at the Bathgate, Lothian, plant of Highlander Snacks. The second - this time a F1 "Spoon" model which the French army started using in 1915 - arrived on Tuesday.

Steel role in SA elections

Sir David Steel, Liberal Democrat spokesman on foreign affairs, is to play a leading role in monitoring South Africa's democratic elections. As president-elect of Liberal International he has been appointed co-chairman of the European international monitoring team, and will head the observers in Natal province.

M0 signals on retail sales

Buoyant figures for money supply growth published yesterday may indicate that retail sales were healthy in March. M0, the narrowest measure of the money supply, grew by a seasonally adjusted 5.8 per cent in the year to March, compared to an annual rate of 5.5 per cent in February.

Notes and coins, the core component of M0, rose by a seasonally adjusted 0.9 per cent between February and March, and by 6.1 per cent over the 12 month period, according to the Bank of England. The annual growth in M0 has remained

House loans sharply up

The number of mortgage loan approvals - regarded as an important forward-looking indicator - rose sharply in February compared with January, in a further sign of housing market recovery. Monthly figures released by the Bank of England show that on a seasonally adjusted basis, there were 88,000 loans approved in February, against 74,000 the previous month. The total value of those loans amounted to £4.65bn, compared with £4.33bn in January.

UK company law faces widespread reform

By John Mason, Law Courts Correspondent

Widespread reform of company law aimed at helping the growth of small businesses was signalled yesterday by Mr Neil Hamilton, the corporate affairs minister.

Simplification of the Companies Act 1985 and the creation of a new corporate organisation along the lines of an incorporated partnership are two ideas to be considered by a Law Commission review, he said.

The review, announced yesterday, follows on from a

Department of Trade and Industry working party set up to study possible reforms of company law.

The move, which is part of the government's deregulation policy, is seen by ministers as a means of further removing obstacles to the growth of small businesses into medium sized companies better able to compete, particularly in the European single market, and to provide increased employment.

However, the DTI stressed yesterday that it should be seen as a necessary updating of current legislation rather than

dramatic root and branch reform.

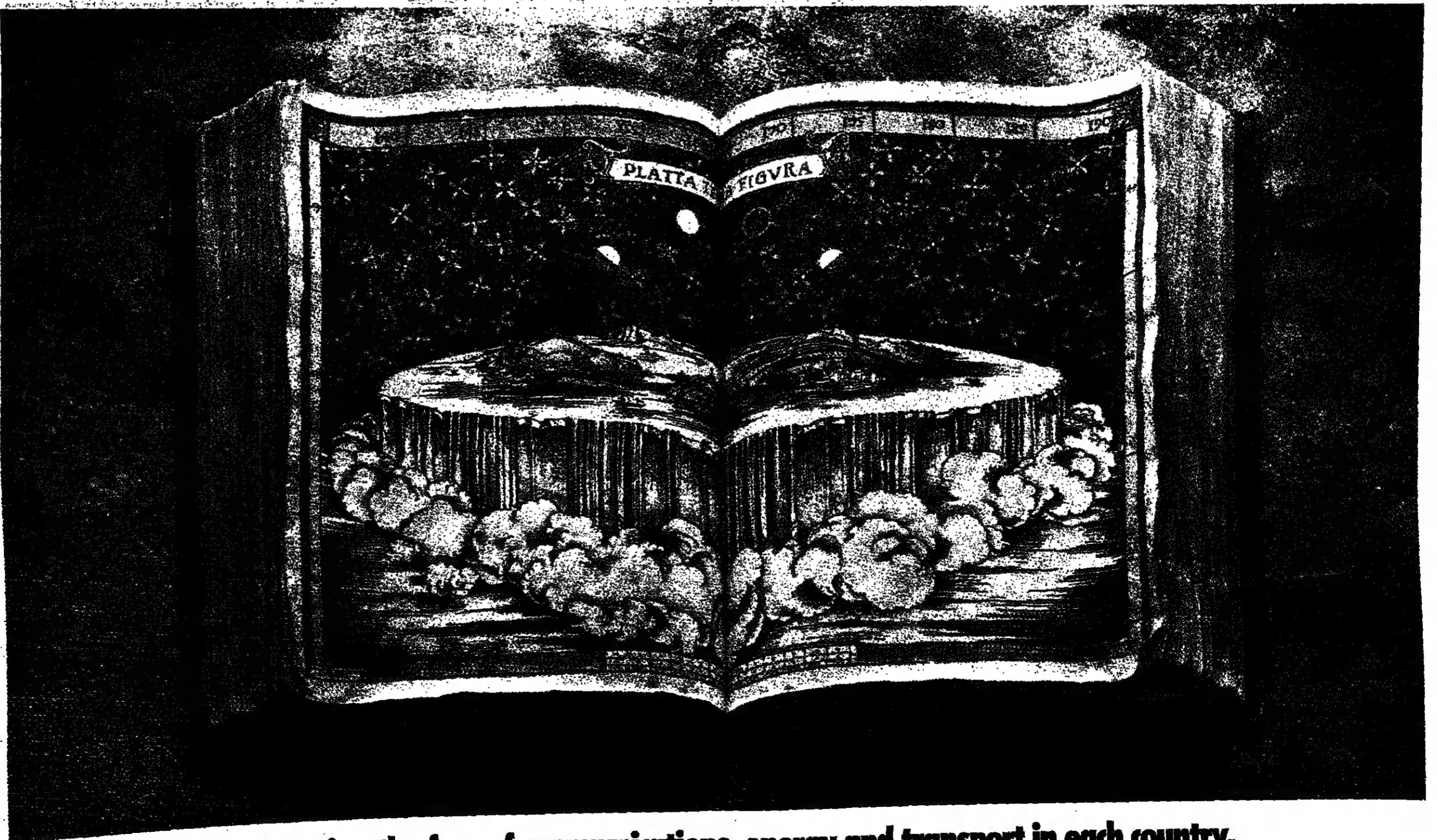
The idea of an incorporated partnership would dispense with some existing concepts of company law such as the distinction between shareholders and directors while retaining other key features such as separate legal responsibility and limited liability.

The simplification of the Companies Act might allow companies to opt out of some of its provisions. However, the protection provided for creditors and others would not be diminished, Mr Hamilton said. However, it will be left to the

commission to identify specific areas that require attention. The commission will now embark on a consultation process to identify the main problems facing small businesses before making any firm proposals. The commission is expected to report to ministers by July this year.

The commission will also look at reform of the law on legally binding corporate documents such as contracts and loan agreements. The DTI considers there are still fundamental problems with the law regarding such documents such as conflicting and inconsistent statutory provisions. It is thought that a consultation paper will be issued by the commission on this subject in 1995.

The announcements were welcomed by the Federation of Small Businesses. A spokesman said: "A move towards incorporated partnerships would be particularly important. It would help bridge the gap between partnerships and companies which is currently in serious weakness in Britain's industrial structure. At the moment, this gap means we are losing out in our trade with the rest of Europe."



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NEWS: UK

Ticketless
face Tube
spot fines

By Jimmy Burns

Travellers who rage over the perceived inadequacy of London's underground railway system are this week having to come to terms with an additional experience: a £10 penalty fare if they travel without a valid ticket.

Underground launched the scheme on Sunday with the aim of stemming fare evasion that is estimated to cost around £30m per year. They say 1,000 people paid the penalty in the first three days of the scheme - 500 on the first full working day in the capital on Tuesday.

Over the past 18 months, LU has spent £2m explaining the benefits of the scheme and in giving training to 300 inspectors who will operate it.

Mr Donal McCabe, a spokesman for LU, said: "By spending £2m on the scheme, we expect to get back £6m which we would otherwise lose, and we can spend this money on helping improve the Underground."

The £6m, Mr McCabe pointed out, is expected to come largely from people paying fares at the outset rather than risking penalty payments.

LU says that the penalty scheme offers a short-term revenue booster while it is unable to finance electronic barriers more widely.

The inspectors have been drawn largely from existing staff and trained in "body language". LU says this is "the skill of avoiding confrontational situations" as well as knowing when "to use discretion in implementing the penalty".

New telecoms
licences could
cut call costs

By Andrew Adonis

The government gave a further boost to competition in the UK telecommunications market yesterday, awarding six new licences to operators likely to invest £100m in the next few years.

The licences will lead to new telecoms networks in London and Manchester - run respectively by Videotron, the cable operator, and Norweb, the electricity distributor based in the north-west.

The other four companies granted licences are Sprint and Worldcom, both significant US operators, Telstra, the Australian national operator, and Telia, the Swedish national operator.

They propose to provide a range of resale services, including international resale, which could cut the cost of international calls sharply as reciprocal agreements are signed allowing "international simple resale" - the carriage of leased-line traffic across the public networks in the UK and the destination country.

At present ISR is permitted only between the UK and Australia, Canada and Sweden. Resellers are anxious to enter the US market, but the US regulatory authorities have yet to permit ISR between the US and the UK.

The six companies have already invested more than £260m in the UK.

Mr Patrick McLoughlin, the UK's telecommunications min-

ister, said the price of international phone calls was "too high" and the granting of licences to additional international operators was "a valuable addition to competition in this market."

Videotron, a cable operator building combined telephone and television networks in several parts of London, has been granted a telephony licence for the key London borough of Westminster and the financial heart of the capital - the City of London.

It plans to start building a City telecoms network - the third new City network under construction - immediately, with work starting in the Westminster area later this year. British Telecommunications holds the cable television licence for the area, its only TV franchise in the country.

The granting of a licence to Norweb, the Manchester-based electricity distributor for the north-west of England, increases the stake of the privatised electricity companies in the telecoms industry.

Norweb already offers a point-to-point telecoms service to large users in its region. It plans to expand its network, focusing particularly on the Manchester business market in association with Energis, the long-distance telecoms operator owned jointly by the twelve regional electricity companies in England and Wales which is about to launch a long-distance network erected on the National Grid's pylons.

Party tries to distance Major from poll result

By Roland Ruck

Sir Norman Fowler, the chairman of Britain's ruling Conservative party, yesterday sought to distance the prime minister from the outcome of the forthcoming local elections, making it clear that Mr John Major would stay in office regardless of the result.

With rank-and-file MPs speculating that only an unexpectedly good performance could stave off a leadership challenge, Sir Norman flatly denied that the local elections on May 5 were a referendum on the prime minister's leadership.

Sir Norman said that while

Mr Major would play a leading role in the campaign for the local government elections, the referendum on the prime minister had already taken place at the general election in 1992. Asked whether the prime minister's leading role in the campaign was not a high risk strategy given poll evidence, Mr John Gummer, environment secretary, replied: "One of the joys of John Major is that once he gets out among people, people recognise in him the kind of greatness and leadership which he gives us."

The prime minister's office at Downing Street said the results of the local elections would have no bearing on the

future of the prime minister who was said to be determined to remain in office and win the next general election.

Sir Norman was forced on to the defensive over questions that the Conservative party was demoralised. As well as facing the local government elections the party will have to defend parliamentary and European seats later this year.

"We are being told that we are going to do badly. We were told we were going to do badly in 1992 at the general election. We were wrong."

"I am entirely content that people should take a sceptical view of our chances. We are going to fight these elections

very hard indeed, as hard as we can. I very much hope, and I believe, we will have gains."

But Sir Norman resolutely refused to predict where he expected the Tories to make gains on May 5.

"I am not going to be drawn into where we are going to make exact wins," he told a Westminster news conference launching the Tory's local government election campaign.

Sir Norman said the party would fight the local elections as a choice between "high quality services at a value for money cost from Conservatives or expensive Lib-Labbery".

Mr Jack Straw, the opposition Labour party's environ-

ment secretary, accused Mr Kenneth Clarke, chancellor of the exchequer, and Mr Michael Portillo, Treasury chief secretary, of "summing themselves on the Mediterranean" instead of taking part in the Conservative campaign.

Labour have also been careful to play down their chances of making big gains stressing that their successes in the last round of local elections in 1990 represented a high mark in their vote in many boroughs.

The last European elections were in 1989 when Conservatives were losing ground, but not on the scale of their defeat a year later when the council seats were last fought.

Ford tried to extract maximum advantage from the X100, reports Kevin Done

What it cost to keep Jaguar in Britain

The UK government's decision to give Jaguar £3.4m grant aid to persuade it to keep assembly of its new sports car in the UK could be dwarfed by the scale of the support that would be needed to ensure the company's next new range is manufactured in Britain.

Jaguar, the British luxury carmaker, acquired an array of new options for production locations after its £1.6bn takeover by Ford of the US late in 1989. Ford - which has made little secret of its plans at the UK government's strong support and encouragement for the rival Japanese carmakers Nissan, Toyota and Honda in the UK - is clearly determined to extract maximum advantage from any "mobile" investment projects.

Outside the company it had

always been taken for granted that the new luxury sports car range - to replace the XJS coupé and convertible - would be produced at Jaguar's plants at Castle Bromwich, Birmingham (body welding and paint), and Browns Lane, Coventry (trim and final assembly).

But Ford made clear to the Department of Trade and Industry that the car - code-named X100 - could just as well be assembled at its plant at Azambuja, Portugal, where the authorities were ready to provide handsome amounts of state aid to acquire such a prestige project.

This time £3.4m was enough to keep the X100 project in the UK. It is likely that much more will be needed when the bidding starts to attract the project for Jaguar's planned smaller sports saloon.

The project - code-named X200 - is for the development of a new car range for Jaguar, below the XJ6 luxury saloon, which would compete with rivals such as the BMW 5-Series.

This car, planned for production towards the end of the decade, could radically increase Jaguar's production volumes, but it is far from clear that it would be built in the UK.

No final decision has yet been made, but it is expected that the new car would be a derivative from a new range of rear-wheel drive cars planned by Ford for production in North America.

The Jaguar version could be assembled in the UK, but it may need a large amount of state aid to convince the US carmaker to make such a

choice. Ford has faced a difficult ride with Jaguar in its early years of ownership. It has been in loss for the past five years and is not expected to return to profit until 1995.

Its fortunes are improving after radical restructuring and help from rising demand in the US and the UK, its two main markets.

Those fortunes should be further boosted by the launch later this year of the substantially revamped version of its XJ6 luxury saloon, the X300.

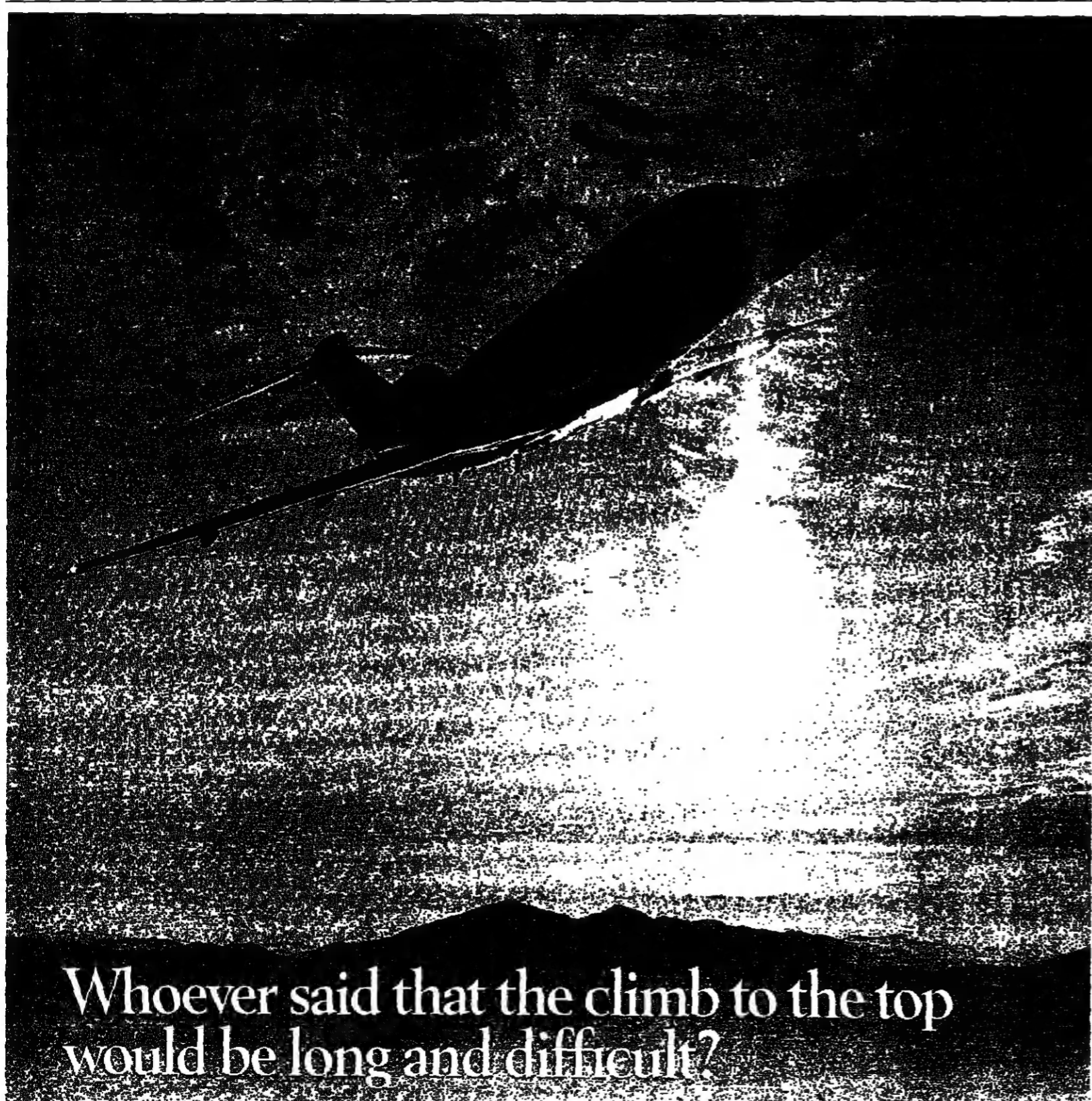
Jaguar cut the operating loss last year to \$371m from a loss of \$412m in 1992 and one of \$354m in 1991. Last year it increased its retail sales by 22 per cent to 27,000 - including a 47 per cent jump in sales in the US to 13,000. Output increased by 45 per cent last year to around 29,500 from 20,500 in

1992, its lowest level of production for 11 years.

Following the cut of around 45 per cent in its UK workforce in the two years 1991 and 1992, its fortunes have improved substantially. Last year its UK workforce was virtually unchanged at around 6,450.

In contrast to much of the European car industry it avoided short-time working during 1993 and production is forecast to rise further this year.

Jaguar expects output to rise by more than 10 per cent in 1994 to 32,000-33,000. Production of the new XJ6 range will begin in the summer - with the body panels sourced from Ford's plant at Halewood - and Jaguar is hoping that output could be running at a rate of around 36,000-37,000 cars a year by the end of the year.



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Spider's route through jungle

James Buxton looks at a device to cut the cost of telecommunications

As companies send larger amounts of data between countries, the task of finding the cheapest route becomes more tricky. This month sees the launch of a system that aims to cut corporate telecommunications bills by up to 40 per cent.

Developed by Spider Systems of the UK, it will enable businesses transmitting data electronically to pick their way through Europe's jungle of telecommunications systems and always choose the cheapest method for their needs.

Edinburgh-based Spider Systems, a computer networking company whose main competitors are North American rather than European, claims that the Spider-Integrator is the first product of its kind in the world.

The device is an advanced kind of router, a box loaded with circuit boards and software which companies connect to their local area networks of computers and workstations. A router selects the route for communication between two LANs in different places. The Spider-Integrator offers the extra ability to select the cheapest route.

Most companies will need to use all the available methods - comprising leased lines, ISDN (integrated services digital network), packet switching systems and external modems - and grapple with changing structures. These differ across Europe and mean that, for example, leased lines are much more popular in the UK than in continental Europe. In Germany, ISDN is the commonest method while in France packet switching, hitherto popular, is being overtaken by ISDN.

According to Steve Collen, Spider's product line manager, some 85 per cent of the cost of a data communication network over its lifetime is accounted for by charges paid for using it, with the cost of the hardware accounting for only 15 per cent. "Tariff management is about cutting down on the 85 per cent," he says.

To do so, Spider-Integrator offers three features. First, it can be configured to select different types of circuit for particular

times of the day, to take advantage of different charges and the user's needs.

Second, Spider-Integrator can respond to demand for transmission capacity or bandwidth by automatically opening up additional circuits and shutting them down when they are no longer needed. This facility might be needed to augment leased line capacity at peak times.

Third, it incorporates a feature called triggered RIP (router information protocol). Normally, routers exchange information about the state of the network every 30 seconds or every minute. But these calls are costly. Spider-Integrator incorporates a protocol (a set of rules in software) by which the routers only exchange information when the information about the network changes, thus saving running costs.

Spider is offering this protocol, which it says is unique, as an international standard to encourage other manufacturers to incorporate it in their products. "Interoperability is in our interests," says Martin Ritchie, Spider's managing director.

Another feature of the Spider-Integrator is that if it knows that at particular times of day it is cheaper to make a call from one country to another rather than vice versa, it can call another router automatically and ask it to call back.

A network manager will operate the Spider-Integrator by plugging his personal computer into it and making selections from a menu. But it will be up to him to keep abreast of changes in tariffs and services and update the settings.

Collen says the Spider-Integrator is flexible enough to accommodate the many changes likely in European telecommunications over the next few years. Spider has spent £2m developing the Spider-Integrator and expects sales of about £2m next year, believing it will appeal both to individual teleworkers and multinationals. The machines will come in two models priced at between £2,100 and £3,000 to distributors.

More and more biotechnology companies are crossing the perilous line from pure research and development to manufacturing, a move which could lead to the graveyard for some.

Those with strong roots in science and academia often have little or no experience in production. Even the most astute companies have trouble assessing if, when and how much they should be investing in manufacturing facilities.

Chiron, the US biotechnology company which last year received approval for Betaseron, the multiple sclerosis drug developed jointly with Schering of Germany, failed to build sufficient manufacturing facilities to accommodate demand for the drug, and has faced repeated shortages. At the other extreme, both Syngene and Centocor invested in manufacturing drugs which were later rejected by the US Food and Drug Administration.

"It's a fine balancing act you have to pull off," says Amy Factor, vice president of Immunomedics, which has started expanding its research laboratory into a manufacturing plant for a still-to-be-approved cancer imaging product. "You have to walk the tightrope created by the uncertainty of not knowing whether your drug will get approval, what the demand will be if it is, and what your other options are."

Making life more difficult for US biotechnology groups are FDA regulations specifying that the drugs must be manufactured in the same way they were prepared for clinical trials. If the process veers from the original course, approval for the product may be revoked. As a result of this restriction, firms often sink millions of dollars of what they call "risk money" into manufacturing facilities they may never need.

Sometimes the gamble pays off. Amgen, for instance, invested millions of dollars on a plant for Eprex, a red blood cell stimulant, prior to its clearance by the FDA. "We'd started investing in the facility even before we had obtained any data from human trials," says Dennis Fenton, senior vice-president in charge of sales. "We were encouraged enough by the early trials to be optimistic."

Adding to the dilemma is the fact that most manufacturing plants can only accommodate specific types of products. Constructing a facility for biotechnology products, for example, will not help much if a company later discovers a drug based on mammalian cells.

Some companies are seeking to gain flexibility through facilities that can handle more than one type of drug. The California-based giant Amgen is putting millions of dollars into an FDA-approved multi-purpose facility. "The FDA doesn't really like multi-purpose facilities,"



Status symbol: the appeal of building a new production facility can be overwhelming

No cure for risk

Setting up a manufacturing plant is a particular gamble for drugs companies, says Victoria Griffith

says Fenton, "but we showed them we had trained staff and sophisticated equipment so that the chance of any mix-up between the drugs was small."

Other companies are looking to resolve their manufacturing troubles by contracting out their production. This eliminates the need to invest money up front, but raises a number of other risks.

"There is a concern about proprietary rights," says Ken Bata, head of sales for Biogen, which uses an unnamed group to put out Hirulog, an anti-coagulant. "If the process is enhanced, who does that part of the patent belong to, the biotech firm or the manufacturer?" Biogen turned to an outside manufacturer because Hirulog was a bigger molecule than it usually dealt with and, therefore,

could not be produced in the same facility as its other drugs.

There are other pitfalls involved in contracting out. For one thing, many companies are wary of handing so much information over to potential competitors. The relationship also has to be established early, prior to FDA approval, to ensure that clearance for the drug is not endangered. Another risk is that the manufacturing partner may later decide to stop putting out the drug, leaving the patent holder with no way to get its product to market.

Despite these concerns, the lure of a contract manufacturer is strong. The British company Celltech says it has been doing such good business on its contract production side that it will soon open a

new US manufacturing facility in New Hampshire.

"We've stayed in this business by following some strict rules," says Iain Ross, president of Celltech Biologics. "First, there is no question of a breach of confidentiality with us. We have strict Chinese walls and the research side of our company, which is in competition with our manufacturing customers, does not receive any information on drugs we are making for other groups."

Commitments to manufacture products for outside firms are also taken seriously. "If our research and development side wants us to make a drug for them, they have to abide by the same rules as other groups," says David Jackson, vice president of US operations for Celltech. "That means they have to reserve capacity ahead of time. If there's no capacity available, they go on the waiting list."

There may be other ways, too, of minimising the risks of contracting out production. "We've made sure our partner has an interest in the drug doing well, and we trust that they will do a good job," explains Bata.

For many groups, however, the appeal of building their own facilities is overwhelming. A shiny new manufacturing plant is often seen as a status symbol in the industry, a sign of the company's coming of age. Moreover, a manufacturing plant gives groups full control of quality and output.

Besides the risks associated with FDA approval, companies face hurdles in building their own facilities. One serious obstacle is the severe shortage of managers and workers with any experience in making biotechnology products.

"Not many companies moving from research into manufacturing have the necessary management skills on hand," says William Young, senior vice president at Genentech, which has invested heavily in manufacturing facilities. "And to hire people with experience can be prohibitively expensive for the smaller firms."

Yet Young concedes that many companies may have no choice. The number of companies capable of producing drugs for others is limited. "Those of us with the facilities, like Genentech, are usually busy making our own products," he explains.

Start-up biotechnology firms, facing cash constraints, limited abilities to recruit the best people and uncertainty over drug approval, are particularly vulnerable. Indeed, the move to manufacturing may be one of the most difficult problems the industry faces. "The move to manufacturing is a tremendous challenge that most biotechnology companies haven't even begun to address," says Factor. "For many, this is a make or break decision."

Curb on Czech software copycats

International software producers are starting to take action against copycats in eastern Europe. In the first concerted attempt to enforce software copyright legislation in east European courts, the Czech branch of the Business Software Alliance, an international association of software companies, is acting against two local companies.

Robert Holleman, president of the US-based BSA, said in Prague that police from the city's criminal investigation department had raided the offices of Dialog Agro - a computer company with Czech, US and Russian capital - on March 17, seizing "suspected pirate copies" of packages from Microsoft, Lotus, Symantec and two local developers, PI Soft and Software602, all installed for the firm's own internal use.

Holleman also said a Czech computer distributor, VT Data - suspected of reselling pirated programs - was raided by police in January and that civil and criminal actions had been initiated. Under the terms of the Czech Republic's criminal code, anyone found pirating software faces a maximum penalty of five years imprisonment or a Kcs2m (\$46,000) fine.

The BSA estimates that 86 per cent of computer programs in use in the country are copied illegally, a proportion similar to that of Spain and Italy but lower than in most other east European states, while the legal market employed 15,000 locals and produced revenues of Kcs9m last year.

Lori Forte, BSA's European affairs director, said that, if anything, Poland rather than the Czech Republic had been the "black sheep" in the region with pirated software packages sold openly on market stalls in Warsaw.

A comprehensive copyright law stipulating maximum five-year jail terms for offenders was ratified by the Sejm (Czech parliament) on February 4.

Tom Pullar-Strecker

PEOPLE

Mining team digs in at Hambros

The complete 15-strong mining team at Indosuez Capital Securities (UK) has moved to Hambros Bank where a new subsidiary, Hambros Equities UK, has been set up to house them.

Among those who have moved is Chris Orchard (far right), now managing director of Hambros Equities UK, Roger Franklin (centre), executive director, dealing, and Graham Roberts (near right) executive director, research.

This trio, and many of the other team members, have been together for eight years during which time the organisation they worked for had several name changes. They started out with stockbroker

Galloway & Pearson, which became WICO Galloway and then, after being sold to Banque Indosuez, W.I. Carr (UK). A merger turned that into Carr Kitcat & Aitken and, fairly recently, after a reshuffle at Indosuez, the team found itself working for Indosuez Capital.

Graham Roberts acknowledges that mining teams do not sit comfortably in any company in London where there has been a decreasing amount of interest in the sector - so much so that one gold miner, Monarch Resources, recently decided to move to the Toronto stock exchange instead. Nevertheless, Hambros is providing a home "which will be cultur-



ally a place where we can take the business a step further". Hambros already owns Hambros Equities Australia, set up as a joint venture with Strauss Turnbull in 1986 and becoming HSA in 1990, which specialises in Australian mining and oil, banking, transport, media and technology companies. Ross McFadyen, managing director of the Australian offshoot, is chairman of Hambros Equities UK. Roberts says the combined Australian

and UK businesses will offer a worldwide service, not just in international mining shares but also financial instruments in the South African and Australian markets.

Other members of the Indosuez team who have already moved include, on the research side, John Barker and Chris Pearson; from sales, John Lee, Mike Long, Robert Lee, and David Stirling, while the dealers are Mark Head, Mark Gibbons and Tony Phillips.

Non-executive directors

Lord Rees-Mogg, editor of The Times between 1987 and 1988, is to become non-executive chairman of International Business Communications, the newsletter publishing, conference and electronic data services group.

Lord Rees-Mogg, who also sits on the board of GEC and runs his own newsletter (Strategic Investment), joined IBC's board a year ago and will assume his new role following the group's annual meeting next month. Peter Rigby, IBC's chief executive, has been acting chairman since the death of Sir Roy Watts, the former chairman of Thames Water, a year ago.

■ Andrew Glasgow, chairman of North West Water International, at TUNSTALL GROUP.

■ Peter Hill, head of GUINNESS MAHON's treasury division, as chairman at Guinness Mahon Guinness.

■ Robert King, retiring chief executive of Bepak, at HALE HAMILTON (Valves) and Hale Hamilton Holdings.

■ Philip Cushing, a director of Incheape, at BUNZL.

■ Howard Perlin, who has just resigned from Sears, at SIS, where, until Sears sold its stake, he was Sears' representative, and at GREAT PORTLAND ESTATES.

■ John Pattison, a former director of Hanson, at BLENHEIM GROUP.



Anthony Loehnis, a former head of the Bank of England's overseas division, has been appointed an adviser to the Bank of Tokyo Group in London and to the board of Bank of Tokyo International.

Loehnis, 58, is well connected in the City. An ex-diplomat, he's the son of the late Sir Clive Loehnis, a former director of the Government Communications Headquarters, and is related to Lord Remnant, a well known City figure. Loehnis joined J. Henry Schroder Wagg in 1966, and in 1977 was seconded to the Bank of England during the governorship of Gordon Richardson, a former chairman of Schroders. In 1981 he was appointed an executive director.

He left the Bank in 1989 and became a vice-chairman of S.G. Warburg, where he remained for three years. He is currently a director of St James Place Capital. He fills a gap at the Bank of Tokyo which has been vacant for a year since the death of Nigel Robson who had been the Japanese bank's London adviser since 1984.

Grosso leaves Cookson

Roberto Grosso is stepping down as an executive director of Cookson Group, the specialist industrial materials group, and chief executive of the ceramics division.

Cookson said in a statement that Grosso "has decided to leave the group in order to pursue other interests" and will do so after the annual meeting next month.

Last month Cookson and Johnson Matthey, the precious metals group, announced that they were planning to link some of their ceramic interests in a joint venture to be known as Cookson Matthey Ceramics. Cookson's ceramic supplies and minerals division, part of its ceramics operations, will be folded into the joint venture.

Meanwhile, Stephen Howard, currently chief executive in charge of Cookson's group corporate development and chief executive of the engineered products division, will also become president and chief executive of Cookson's Brussels-based Vesuvius advanced refractories group. Gian-Carlo Cozzani, currently vice president of marketing and sales at Vesuvius, will become Vesuvius chief operating officer.

■ Jonathan Strong, a former director of Speyhawk who has been running his own company, has been appointed md of Lynton, the property subsidiary of BAA.

■ Edward Sabisky, formerly assistant treasurer at General Motors in the US, has been appointed director, finance and administration, and Jim Raymond, formerly director of warehouse operations at General Motors of Canada, has been appointed director, after-sales, at VAUXHALL MOTORS.

■ Andrew Osmond, md European sales at GE Lighting Europe, has been appointed coo of The MELVILLE GROUP.

■ David Burns, formerly head of legal services, has been appointed group company secretary at AIRTOURS.

■ Fred Watt has been appointed finance director of WASSALL; he succeeds David Roper who, with David Turner, have been made deputy chief executives.

■ Alison Canning, formerly md of Cohn and Wolf UK, has been appointed md and chief executive of BURSON-MARSTELLER UK; she succeeds Martin Langford who becomes vice-chairman of B-M Asia.

■ Mick McDonough, formerly vice-president sales in the US, has been appointed md of REMY & Associates (UK).

■ Joe Bisland and Richard Veal have been appointed to the board of Abbot's Packaging, part of MACFARLANE GROUP (CLANSMAN).

■ David Holloway, formerly finance director of Harrison Industries, has been appointed European finance director of Tranco, part of B.F. GOODRICH.

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Max on the move

Pepsi-Cola International is to market its new diet cola drink, Pepsi Max, in more than 20 countries by the end of the year, following successful trials in selected markets.

The company forecasts that the new drink will achieve retail sales of \$250m (£171m) in 1994. Trials in the UK, the Netherlands, Ireland and Australia resulted in the brand gaining an average 3 per cent share of each country's cola market within five months.

The drink is aimed particularly at the young male market - a group which has been traditionally resistant to such diet products. While Pepsi Max is sugar-free, it does not advertise itself as a diet drink but emphasises a sporting image and "maximum" taste.

The drink contains a new blend of sweeteners intended to overcome consumer objections to the after-taste associated with diet drinks, and perceptions that the flavour of low-calorie drinks are "weaker" than regular versions.

Coca-Cola outsells Pepsi worldwide by about three to one, and the gap is wider when it comes to diet versions of the cola drinks. Pepsi said the new drink had "added significant net volume and share to the company's business" and that tests in the UK suggested the product was attracting previously loyal Coke drinkers.

There are no immediate plans for the drink to go on sale in the US - one of the sweeteners used in the product, acesulfame-K, has yet to be approved there. In addition, Pepsi says it does not want to eat into its US sales of Diet Pepsi. While diet drinks make up more than a quarter of all soft drink sales in the US, the figure is only about 4 per cent elsewhere.

Pepsi plans to launch the drink in 10 new markets by the end of next month, including Spain, Sweden, Japan and Thailand.

Diane Summers

With the opening game of the 1994 World Cup football finals less than three months away, the tournament's main corporate sponsors are spending millions of dollars trying to make the most of their association with it.

Yet involvement is something of a double-edged sword for the biggest US companies sponsoring the month-long sporting spectacular: car maker General Motors; Mars, the confectionery group; fast food chain McDonald's; Gillette, the consumer products group, and the soft drinks group Coca-Cola.

Sponsors can gain valuable international exposure by marketing their products in countries where people are passionately interested in football, and where the World Cup is widely regarded as the biggest event on the sporting calendar.

In the US, however, being a main sponsor of the tournament is considerably less rewarding. Football, or "soccer" as the Americans call it, is very much a minority sport and the World Cup holds little significance for most of the country. A survey conducted at the end of last year by a London research company found that only 35 per cent of Americans even knew that the World Cup was being held in the US this summer. That compares with 89 per cent awareness in Brazil and 83 per cent in Germany.

With an apparently unresponsive domestic audience, it makes sense for US sponsors to focus most of their advertising and marketing dollars on foreign markets. Having spent a reported \$20m (£13.60m) on sponsorship rights, they are determined to get their money's worth.

Coca-Cola, a World Cup sponsor since 1978, has developed a variety of marketing events and products for consumers overseas. Gary Hite, the company's vice-president in charge of international sports marketing, says: "The fact of the site of the event is not a core reason why we're involved... We bought into it because it is such a magnificent global event. We'd be involved in it if it wasn't being held in the US."

Gillette, the US company with the longest history of backing the World Cup, also believes the greatest value of the company's sponsorship is in football's worldwide popularity. "No other sporting event can match the World Cup in terms of marketing power," said Alfred Zelen, Gillette's chairman, at December's World Cup draw in Las Vegas.

Among Gillette's marketing initiatives, the emphasis is on gaining exposure for its products in overseas markets. "Soccer is the universal language. If you set out to match a global brand with a global sport, there is no better choice," says Gillette.



Eye on the ball: US sponsors are focusing their advertising efforts on foreign markets since interest at home has yet to take off

Sponsors target global goals

Patrick Harverson on how US companies are making the most of their association with the 1994 World Cup

Other US sponsors view the World Cup from the same perspective. Mava Heffler, vice-president of promotions at the credit card company Mastercard, which expects to have spent at least \$75m on sponsorship and advertising by the time the tournament is over, says: "We have targeted the World Cup as a platform to help us build brand awareness internationally."

All of the main sponsors are employing similar tactics to exploit their relationship with the World Cup. Commemorative products abound (special Coke cans, a limited edition Gillette Sensor razor), as do competitions offering cash prizes or trips to World Cup games.

Television, however, is at the heart of most marketing initiatives: by the end of the World Cup, a cumulative audience of between 250m and 300m is expected to have watched the tournament. McDonald's has chosen to broadcast its first global television commercial for the World Cup, a single 30-second spot which will air on six continents, starting next week. Mastercard is also running a global television commercial, featuring the Brazilian footballer Pele.

Other companies will be sponsoring special programmes or television series for broadcast around the world. Gillette is backing a 13-part series on the World Cup that will be seen in more than 50 countries. Coca-Cola is launching a "Coca-Cola World Cup '94 Radio Network", which will broadcast reports and features on the tournament to foreign countries.

Sponsors are keen to utilise the large advertising boards - rarely seen in US sports - which surround the football pitch. GM plans to match them to television viewers in each country. Thus, when a team from Europe or South East Asia is playing, it will use the boards to display the logo of Opel, the company's chief brand in those two regions.

Similarly, the name of Chevrolet, the brand which GM sells in Latin America, will be on display for games involving countries such as Brazil and Mexico. Jim Latham, GM's project manager for World Cup '94, says this "tele-targeting" - aiming different boards at different audiences - is many times more effective in reaching viewers in Europe than in the US. "Advertis-

ing on soccer pitches is very well-known and means something in non-US markets," he says.

While aiming to make a big impression overseas with their World Cup marketing, US sponsors have not taken their eye off the ball at home, even if many Americans are more likely to be watching baseball during June and July.

In the US, sponsors are focusing their marketing in niche markets, such as the nine cities hosting the games, and among immigrant communities where football's popularity is strong. The Spanish-speaking market is attracting the most attention - Coca-Cola and McDonald's, for example, have organised "La Copa Coca Cola", a regional amateur football tournament.

The sponsors are also hoping that Americans will pay attention to the World Cup once they realise how important it is to the rest of the world. Hite says: "Americans love big events. Once people realise what a huge event it is, they're going to say: 'I want to be a part of that.'"

Ultimately, the extent of interest in the US will depend greatly on how well the US national team does in the tournament.

Budget rises are likely despite last year's fall, says Diane Summers

Forecasts lift spending gloom

Advertising expenditure in European Union countries fell by about 1 per cent in real terms in 1993 - the first time a fall has been recorded in recent years, according to provisional figures from the UK's Advertising Association and the European Advertising Tripartite.

However, the outlook for 1994, within the EU and for a number of other countries monitored by the organisations, looks promising, with a return to real, although modest, growth of about 1 per cent for this year.

Finland, Spain and Sweden's markets suffered most last year: economic difficulties had a direct impact on advertising budgets and cutbacks in spending of more than 4 per cent were recorded. Belgium, Denmark, France, Germany and Japan's advertising spend also fell.

Modest increases in overall spending were seen in the US, UK, Ireland, Italy, the Netherlands, Norway and Switzerland, while exceptional growth was recorded in Greece (12.6 per cent) and Portugal (8 per cent). According to the Advertising Association and the European Advertising Tripartite, "the growth of advertising expenditure in these countries has been dramatic, despite the recession, because of an increase in the availability of media vehicles, greater media

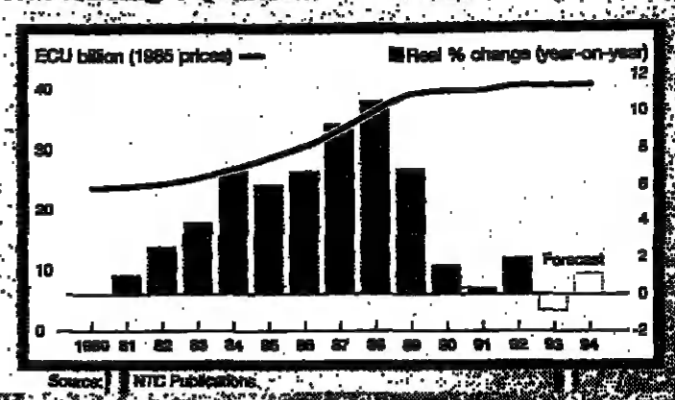
competitiveness and the strong performance of the broadcast media, especially television". Indeed, in all countries monitored, apart from Austria and Belgium, the growth in spending on television advertising outstripped print. Television overtook newspapers to become the single biggest display medium in the EU in 1993; by last year it became the biggest display medium in the whole of Europe. Double-digit growth rates for TV were seen in Greece, Portugal, Norway and Sweden.

This trend looks set to continue: further European deregulation could eventually lead to an almost doubling of the current annual Ecu 15bn (£11.8bn) spending on TV advertising.

The outlook for 1994 is encouraging, say the two bodies. On the back of the apparent return of confidence and positive economic indicators they are forecasting real growth in advertising expenditure almost everywhere. "The exceptions are likely to be Finland, the Netherlands, Spain and Japan. However, the real falls in advertising expenditure in these countries are, in the main, likely to be marginal."

*European Advertising and Media Forecast. Subscription inquiries to NTC Publications. Tel 0451 574671.

Advertising expenditure in the EU



Annual figures 1993

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The results have been determined on the basis of the revised accounting rules introduced by ING Group with effect from 1993.

The figures for 1992 have been restated on the basis of the new accounting rules to facilitate comparison.

Amounts in Dutch guilders (in millions)	1993	1992	% Change
Results before tax	2,821	2,386	+ 18.2
Net profit	2,029	1,829	+ 10.9
(in guilders)			
Net profit per share	8.01	7.50	+ 6.8
Dividend per share	3.50	3.19	+ 9.7
(in billions)			
Total assets	339.4	322.9	+ 5.1
Investments	132.1	127.7	+ 3.4
Bank lending	144.9	138.1	+ 4.9
Group capital base	22.6	16.7	+ 35.2

ING GROUP

The annual report will appear on April 18th, 1994 and can be obtained at the following address:
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Yen for a monster with its own mind



BOOK REVIEW

What country like a giant brain? That's the title of a book by George Kennan, a US diplomat, for its inability to understand the world.

Today it applies to Japan, according to Mr Ichiro Ozawa, the Tokyo government's back-room strategist. Mr Ozawa's book shows Japan as a passive economic creature of little imagination whose failure to adapt will turn it into a monster unless it wakes up.

It is no surprise that Mr Ozawa, a prime mover behind Japan's recent radical political changes, further reform of the political system is the first condition for awakening the tiny brain.

Washington's trade hawks, who have been reading this book closely, will arrive at a different conclusion. For those who believe Japan's political reforms are incomplete and unconvincing, this book can be taken as evidence that foreign pressure is still needed to help Japan change its inward-looking ways.

Yet the foreign pressure argument, Mr Ozawa, is dangerous for both sides. To be durable, change must come from within.

Before Japan can find a new form of life, it must find its identity. This, Mr Ozawa believes, is buried under a sprawling in which every big city, playground and park is the same. Moreover, it is stifled by a curriculum education system, and a denied expression by a host of regulations.

Japan's identity problem results, ironically, from the fact that it is a descendant of the US dinosaur. It was born of the economic power in having its post-war security guaranteed by Washington, rather than by its own workers' diligence, argues Mr Ozawa.

But the end of the cold war undermined "the very foundation" of Japan's prosperity by removing its value to the US as a bulwark against communism in Asia. To compensate, Japan must become an "international nation", taking a full

NIHON KAIZO KOKU
(Blueprint for Building a New Japan)
By Ichiro Ozawa
Cassell Publishing, 1994
£2,900 (or \$19.95 in Japan)
In English from April 17; or ¥1,200 in Japanese, 93 pages

part in world diplomacy, including United Nations peacekeeping.

That bit of Mr Ozawa's argument is abundant fare from the increasingly powerful internationalist camp in Japanese politics, to be found on the right-wing of the coalition government. He also airs the alternative view - for a low-profile Japan that would return to traditional values. That can be found in another newly published book, *A New Japan* (in Japanese only) by Mr Masayoshi Takemura, chief cabinet secretary.

Mr Ozawa's book is it clear he believes the balance of power struggle is higher than many foreigners imagine. Japan's future and chances of becoming a "normal" nation hang on its ability to play a more active part in the world.

Japan should learn from successful merchant nations of history, such as the city states of Carthage and the Venetian Republic. They achieved long-term prosperity - 1,500 years in Venice's case - by becoming much more than merchants, he recalls.

In classical Carthage and Venice ploughed the sea ensuring peace and free trade in their main markets. Japan has only just begun to do so, Mr Ozawa says, but suggests that Japan should develop the western equivalent of a Venetian navy or a Carthaginian army.

But it should pay the cash, diplomatic and human costs of assuring peace and free trade - and just as important, of international respect for itself.

To play a more active role in world affairs, Japan must first get its own political system, starting with the political system. Mr Ozawa offers practical suggestions in

the authority of the prime minister and cabinet in order to clarify what decisions are made and improve policy-making in cabinet and parliament.

He believes a UK-style system, in which the cabinet is at the heart of government, could solve Japan's problem of a government with no clear centre of authority. This would be a star prime ministerial power, which is the position of Mr Morihiro Hosokawa's recent U-turns in more recent Japanese politics.

Mr Ozawa also has high praise for the British tradition of having a large number of non-cabinet ministerial posts. This trains politicians in a part in policy-making rather than, as in Japan, just carrying out bureaucratic functions.

A more imaginative central government would improve Japan's ability to achieve the other two aims of a "normal country" - including deregulation, reform, decentralisation and improved town planning, all part of the Hosokawa administration's programme.

Yet Mr Ozawa also has a sociological explanation for Japan's shortcomings. Japan's qualities, though he admits, are much as he admits, the book is supposed to be a book, like look at the shortcomings in Japan's system of government.

Democracy has never really taken root in Japan, partly because of an inherited collective spirit and an education system designed to stamp out independent thought. Mr Ozawa believes this system is faulty at both ends - too rigid at school and too dull at the university stage.

The book's theme is that Japan's cure must start with the head, which means creating a more modern government, both at the international and domestic level. From this will gradually emerge a Japan to be envied, rather than derided, by foreigners.

Yet tantalisingly, Mr Ozawa says little about what his "Japanese dream" would look like. Perhaps this lacuna is a criticism of his own theory that Japan suffers from an under-exercised imagination.

William Dawkins

What business has an economist or economic commentator to write about drug abuse and the case for decriminalisation? The first and most obvious reason is that drugs make up one of the world's largest industries.

International trade in illegal drugs is estimated at \$500m a year. The turnover of the criminal firms which run the world's illegal drugs traffic is higher than the national income of 50 of the world's 70 leading nations.

Secondly, and more controversially, economists start with a presumption that the consumer is the best judge of his or her own interests. It is a presumption that can be overturned in extreme cases, and the costs imposed on other people from widespread drug consumption need attention. But at least the starting point favours competitive market approaches against the heavy hand of regulation.

Thirdly economists are concerned with analysing markets, including government intervention in them. They can thus contribute to understanding the effects of attempts to criminalise production and consumption of products, whether alcohol in the US in the 1920s or other addictive drugs today.

Measures to reduce supply - such as customs seizures, fines, imprisonment or confiscation of assets - act as a tax on suppliers. The risks are much greater than in a normal market, and the prices at which the drugs will be supplied are correspondingly higher. The tax is a high-risk, high-reward one in which criminal gangs have an advantage over normal traders. They have every incentive and opportunity to keep the supplies to themselves and above all else they will gain from normal activities.

To take an example. One gram of heroin of 40 per cent purity is said to have a street value of \$80. If it were available as a gram of pure heroin it might sell in the illicit market for \$1,600. In comparison, high-purity heroin costs \$100 per gram.

The demand side is more controversial. But if demand were very small, the price would be very low. The high prices would already have reduced the problem of addiction to negligible proportions. The fact that it has not is very much the result of addicts and drug dependants - that is what

ECONOMIC VIEWPOINT

Drug abuse tackled the wrong way

By Samuel Brittan



Stevenson, who comes out for careful legalisation. A commentary written jointly by two psychiatrists and a sociologist disagrees strongly. But even it limits some liberalisation of policy and practice.

'If some insist on using drugs, it is better that they buy them from non-criminals'

We have, of course, known the history of alcohol prohibition in the US in the 1920s, as summarised in the 19th edition of the *Encyclopaedia Britannica*. "Prohibition brought into being a new kind of criminal, the bootlegger. The career of Al Capone was a dramatic instance of the development of

these words mean. Given a high-risk, high-price market for products with an addictive quality, one would expect present worldwide restrictive legislation to encourage criminal activity. The addicts steal to pay for their drugs; and suppliers will stop at nothing to maintain an enormously lucrative trade.

Things were not always thus. In the early 19th century, British governments actively supported drug traders for instance in the Opium Wars against China. Draconian anti-drugs laws are fairly recent and have largely been spearheaded by the US. British legislation dates back mainly to the Dangerous Drugs Act of 1920.

In Hong Kong, Thailand and Laos, anti-opium laws were enacted over the period between 1950 and 1980. The result was a switch from traditional opium use, contained and controlled by local custom, to heroin, which is less bulky and more profitable.

In the Andes, cocaine has replaced the traditional and less harmful chewing of coca leaves. In Colombia, three presidential candidates have been murdered for drug-related reasons. The drug trade is now the largest single support for organised international crime; and about half the murders in the US are drug-related. In Britain the problem is not (yet) on the same scale; but drug-related crime may be worth a value to half of all that.

The analysis and facts so far cited all come from a new paper, *Winning the War on Drugs: Legalise or Not?* by Richard Stevenson, director of the Liverpool University Health Economics Unit, and published by the Institute of Economic Affairs (£8.50). So careful, however, has the IEA been in treading on this minefield that the paper also contains two comments by medical practitioners eminent in the field. Professor Judith Merry, a professor of clinical psychiatry at St Thomas Hospital, agrees with Mr

drug users. The high price of illegal drugs encourages addiction, which is the most economical but also the most hazardous method. "At high prices, users are more likely to share doses and needles, so the risk of transmitting disease is increased." Another response to high prices is to become a small dealer and sell to friends, thus spreading the habit.

Although alcohol consumption fell in the US after prohibition ended, this may have been due to special circumstances, such as the Great Depression. An economic observer ought to concede that, if drug prices were lower, there could be more casual experimentation - not that the law prevents 30 per cent of young people from occasional use at the moment. It is a matter of choosing between this risk and the growing sub-culture of criminality and addiction.

Legalisation in one country also has its problems. One danger would be the kind of drug tourism seen in Amsterdam. More seriously, the Colombian cartels and the billions of dollars in laundered money would continue to exist so long as the US continued its anti-drugs crusade. But here, at least, there may be a glimmer of hope from the less straitlaced Clinton administration. The US surgeon-general, Dr Jocelyn Elders, has urged a study of legalisation.

No-one, whatever his speciality, can predict the consequences of a large legislative leap into the dark. Two kinds of gradualism are possible. One is that already practised by some local British police forces: they do not prosecute for possession of small quantities of drugs but advise addicts to enter treatment. A more rule-of-law approach would be to experiment with legalising softer drugs and imposing the kinds of tax already borne by alcohol and tobacco.

Stevenson provides an analogy in the case for legal abortion: "Abortion is tragic but, given that it will occur in any circumstances, it is better that it should be performed competently. In the same way it would be better if everyone could cope without mind-altering drugs, but prohibition is unenforceable. If some people insist on using drugs, it is better that they should buy them from low-abiding businessmen rather than criminals, and better still if they can be integrated into society and brought under medical supervision if it is needed."

Some effects of the official war against drugs are the opposite of those intended, even from the point of view of bootlegging on a large scale. His annual earnings were estimated at well over \$60,000. The rise of the bootlegging game led to a succession of gang wars and murders. A notorious incident was the St Valentine's Day massacre in Chicago in 1929 when the Capone gang shot to death seven members of the rival "Bugs" Moran gang. Historians of the underworld, however, suggest that the late 1920s bootlegging was on the verge of semi-monopoly control and the end of gang wars was approaching.

The *Encyclopaedia* does not mean criminality was ending, but that there were signs of the bootleggers agreeing to share what they might have called "the loot" and the IEA "the economic rent".

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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UK tax rises give cause for pessimism

From Mr Stephen Radley.

Sir, Your article on the effects of UK tax rises ("Shoppers in the line of fire", April 2) reflects the emerging consensus among many economists that the recovery will continue to gain pace this year and next despite higher taxation. Our analysis of the current situation and of past tax rises supports a somewhat more pessimistic view. It also suggests that we should look closely at the effect of last year's budgets on both consumer spending and investment.

Both of the last two large tax hikes, under Labour in the mid-1970s and under the Chancellorship of Geoffrey Howe at the start of the 1980s, coincided with falls or stagnation in consumer spending. Though those experiences will not be repeated, this does suggest the rate of increase in consumer spending should be slowed by the tax increases. Tax rises were offset by substantial cuts in interest rates and, in the latter case, by the relaxation of controls over personal borrowing in the 1982 Finance Act.

This time the reverse is true. Though there may be some delayed effects from the interest rate cuts over the last two years, the main movement in interest rates is just as likely to be up as down, while lending is particularly in the housing market, are becoming more cautious. Consumer confidence indicators suggest that the recent tax rises have made the personal sector more cautious, while we should not put too much faith in the traditional boosting effects of falling unemployment as most of this is down to increases in the secure areas of employment such as part-time work and self-employment.

One of the best hopes may be that medium-term forecasts of sufficiently large discounts - such as those available in the January when the month-on-month fall in the price of

clothing and footwear was the largest for 70 years - to allow consumers to spread their incomes further. However, with unit labour costs rising, this will erode profit margins. Given the strong links between current and expected profits and investment levels, we should therefore be looking closely at what the budget in investment just as much as that for consumer spending.

Stephen Radley, chief economist, The Henry Centre for Forecasting, 9 Brixton Hill, Blackfriars, London EC4V 6AY

well to compare the naive naivety of Michael Prouse's article (April 2) with a much more realistic analysis of what is actually happening in America to jobs and security in an article by William L. Lutz (April 7). The writer is director of geo-economics at the Centre for Strategic and International Studies in Washington. Lutz's prognosis for the US and European economies is grim, especially in the growing insecurity over jobs. He says: "Thus neither the

left nor right recognises, let alone offers any solution for this central problem of our days: the completely unprecedented personal economic insecurity of working people, from industrial workers and white-collar clerks to medium-high managers."

Instead of the all too easy jibes at the Archbishop of Canterbury, Michael Prouse should take on board Edward Lutz's analysis and try and suggest a solution.

David Galilee, St Mildred's Vicarage, Sefton Road, Craydon CR0 7HR

Cost takes shine off free trade

From Mr John Pitts.

Sir, I have received a request for the renewal of my annual subscription to a business guide published in the UK. This giving me the £39 payment due to me. Please draw your cheque on a sterling bank account in the UK. If cheque not drawn on a UK bank please add £17.00 to cover bank charges. This is a general requirement and the same applies within the European Union. A thumping levy by banks of 17 per cent on this sort of cross-border trade takes a lot of the shine off the Union as a free trade area.

I can understand why financial institutions like to enjoy the profits earned on currency transactions. I understand why governments like to retain national currencies so that they can manipulate them for national advantage. But while these benefits come in the short term, there must be a substantial price to be paid in the long term. European businesses will suffer both in the size of their domestic markets and in their wider international competitiveness.

Will the Maastricht treaty be able to address this problem, or will it turn out to be rather like asking bookies to take in fewer meetings?

John Pitts, 8011 Church House, Cuddesley, Bideford, North Devon PL6 2LD

For richer, but surely not for poorer

From Mr Michael Goldman.

Sir, Michael Prouse makes a cogent case for the "What is right with the UK?" April 5. But he does not have to be an egalitarian to disapprove of the growth of inequality.

Even if there is no objection to the rich getting richer, who can support the very rich getting poorer? Michael Goldman, 1 Lyndale Close, Blackheath, London SE3 1PL

From Mr David Galilee.

Sir, Your readers would do

legitimise the practice of late payment, in the event that unscrupulous businesses might choose to pay interest to suppliers on overdue bills rather than to borrow at higher rates from their banks.

Thus, there might evolve a form of incentive, courtesy of statutory interest, to maintain a practice of late payment, the existing problem might accordingly be exacerbated.

In any case, companies are entitled by law to an interest payment on overdue debts, so seriously questioning whether the interest element would, in the end, part, contribute such a material amount as to motivate them to the trouble and expense of retrieving it through the courts.

A more practical solution to the problem may be to use the VAT system as a form of control mechanism, whereby businesses which paid bills after an unacceptable delay would be forced to wait or be unable to recover VAT paid.

However, it is a fact that effective remedies to the problems of late payment require a fundamental change in business attitudes and culture; late payment must cease to be regarded as a fact of business life or as a tool of astute financial management.

Andrew L. Rose, chief executive, The Chartered Association of Certified Accountants, 29 Lincoln's Inn Fields, London, WC2A 3EE

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April 10 1994

FINANCIAL TIMES

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Thursday April 7 1994

Bloodied but unbowed

Yesterday's car bomb attack in the northern Israeli town of Afula is another reminder of the fearful symmetry of violence which threatens at every turn to obstruct the Middle East peace process. On one side are the Palestinian Islamic militants who claimed responsibility for yesterday's bombing, apparently in retaliation for the massacre of about 30 Arabs in a Hebron mosque in late February. On the other are Jewish extremists such as the fanatical settler, Baruch Goldstein, who carried out the Hebron shootings.

Both sides, though sworn enemies, have a common goal: to ensure, by striking in the most horrific manner at the most sensitive possible moments, that the agreement between the Israeli government and the Palestine Liberation Organisation providing for Israeli withdrawal from and Palestinian self-rule in the Gaza Strip and West Bank does not succeed.

Fortunately, the current evidence suggests it is they, not the agreement, that are failing. The anguished standoff between Israel and the PLO that followed the Hebron massacres has been replaced by an invigorated attempt to reach detailed agreement by April 13, the date set in the Declaration of Principles they signed on the White House lawn last September. Moreover, the Israeli army appears to be preparing the ground for an eventual accord by pulling equipment and forces out of Gaza and the Jericho area. For the first time, the negotiations of the past year can be said to be producing tangible change where it matters.

Important concessions

What recent events have underlined is that neither Israel nor the Palestinians have any option but to stick to the process on which they are embarked. Both sides make important concessions to restart negotiations - Israel by allowing an international observer force into Hebron; the PLO by shelving demands for the removal of Jewish settlers from the West Bank town. Moreover, by banning two Jewish extremists from the Israeli authorities have acknowledged for the first time that terrorists from their midst can pose as much of a threat as those from the other side.

Superhighways for Britain

It might seem appropriate that just as the government has decided to scale back the UK's road building programme, the debate is accelerating on the merits of a national fibre-optic grid - a multimedia "superhighway" - everyone's "information superhighway".

The connections are more than superficial. In terms of capacity, fibre is to copper what motorways are to village lanes. A national fibre network, like the motorway system, can be built incrementally, despite the "superhighway" tag. It is no more than an upgrading or duplication of existing local telecoms networks (trunk networks are already fibre). There might even be a trade-off between highways and superhighways: current projections of future trunk road requirements, inevitably based on historic trends, make insufficient allowance for the potential of "teleworking" and video-conferencing to transform work and travel patterns.

But the relationship should not be pushed too far. Demand for superhighway services - entertainment, information, education, home shopping - is still largely speculative, particularly at current projections of their price. Even the fate of video-on-demand, the first service set to come on line, is uncertain: punters are unlikely to pay much of a premium to avoid a 10-minute trip to the local video store.

Cash cows

Nor should a fibre-optic grid be viewed as a unique national asset to be provided by public funds. Telecoms companies are among the largest cash cows the world over: if there is a market for superhighway services, they will be able to raise the money easily enough without troubling hard-pressed taxpayers. State funding ought to be reserved for subsidiary but critical goals such as the application of fibre networks to education.

In the UK, the most immediate question is the future of the ban on BT carrying entertainment services over its network. The ban was a deliberate bid by the Thatcher government to encourage cable companies to compete with BT in telecommunications. As such it was justified; but it would be an unjustifiable waste of

Resolve of this kind will be much in demand in the months to come, both in Israel and among those attempting to bring about Palestinian self-rule. For if there is one certainty about the fragile experiment in coexistence now underway, it is that there will be further violent attempts to drive it off course. The agreements struck thus far have many loose ends to insect confidence, and their implementation is surrounded by many worrying uncertainties - not least concerning the capacity of Mr Yitzhak Rabin, the PLO leader, to rule an embryonic Palestinian entity with authority, competence or even real democratic legitimacy.

Jewish settlements

The most ominous grey area concerns the Jewish settlements in the territories. These are supposedly unaffected by the interim agreement now being implemented. Even after Israeli soldiers have withdrawn from most of Gaza and the West Bank and handed over the security of their Arab inhabitants to Palestinian police, some will stay behind to protect the settlements. There is plenty of room for misunderstanding or worse between the Israeli military and Palestinian forces, especially in places like Hebron, where Jewish settlers live in the thick of Arab population centres.

So far, Mr Yitzhak Rabin, the Israeli prime minister, has been understandably reluctant to broach the settlements issue. It is one of the difficult questions to be decided in "final status" negotiations that are supposed to start up to two years into implementation of the Israel-PLO Declaration of Principles. It also represents a political minefield in Israel. Nevertheless, it is an issue which may have to be addressed sooner rather than later if the interim accord is to bring lasting peace to the occupied territories. Mr Rabin would be well advised to make a start now by vowing, without prejudice to the overall fate of the settlements, to shift the most politically inflammatory of them out of Arab towns. It is in Israel's interest, as well as that of regional stability, to remove such sources of friction from what in any case will be a fraught process.

After teetering for two months on the edge of an economic precipice, Turkey this week has tried to pull back from the brink. Under pressure from a plunging lira and dramatic gains by Islamic radicals in last week's local elections, Turkey's conservative-led coalition on Tuesday announced an austerity package in an effort to restore economic health.

Mrs Turgut Ciller, the prime minister, warned that Turkey faces Latin American-style hyperinflation unless the package is implemented. The measures include unpopular moves to raise taxes and state-controlled prices and to close public sector companies, as well as an effective further devaluation of the lira. This fell yesterday to 39,500 to the dollar against 32,050 on Tuesday, after the central bank stopped supporting the currency.

In launching Turkey on an uncomfortable economic journey, Mrs Ciller, a 48-year-old former Istanbul professor, seems to have little clear-cut idea of the destination. In her televised address on Tuesday, she said she hoped the measures would spur export-led growth and "stop the economy" in fact, if the austerity package is to work, a sharp economic slowdown - and a possible political backlash - may be inevitable.

Ominously, Zonguldak coal works, and from Karabuk iron and steel factory - both earmarked for possible closure - launched protest marches on Tuesday to voice opposition against expected large-scale layoffs.

The immediate cause of Turkey's economic crisis was the decision in January to devalue the lira by 12 per cent, in an early attempt to correct economic problems. This sparked a self-inflicted fall in the currency and rising concern among foreign creditors, in spite of domestic interest rates which were raised at one point to 1,000 per cent.

The reasons for Turkey's problems, however, go much deeper. For most of the past decade, annual inflation rates have rarely been lower than 50-70 per cent. At the same time, Turkey has registered an annual economic growth rate well above those of other countries in the 24-nation Organisation for Economic Co-operation and Development (OECD). As an OECD official put it this week, "Turkey has been defying the law of gravity for years. But you can't run an economy with a 50-60 per cent inflation rate without it collapsing."

The public sector borrowing requirement last year was running at 16 per cent of gross national product. To bring down the deficit, the government plans widespread price rises for commodities such as petrol and sugar. It wants to step up

privatisation by selling 100 firms worth of state assets in 1994 - a move which may turn out to be heavily optimistic. Overall, Mrs Ciller envisages cutting the government's budget in the next 18 months by TL38,000bn through revenue increases and cost-cutting.

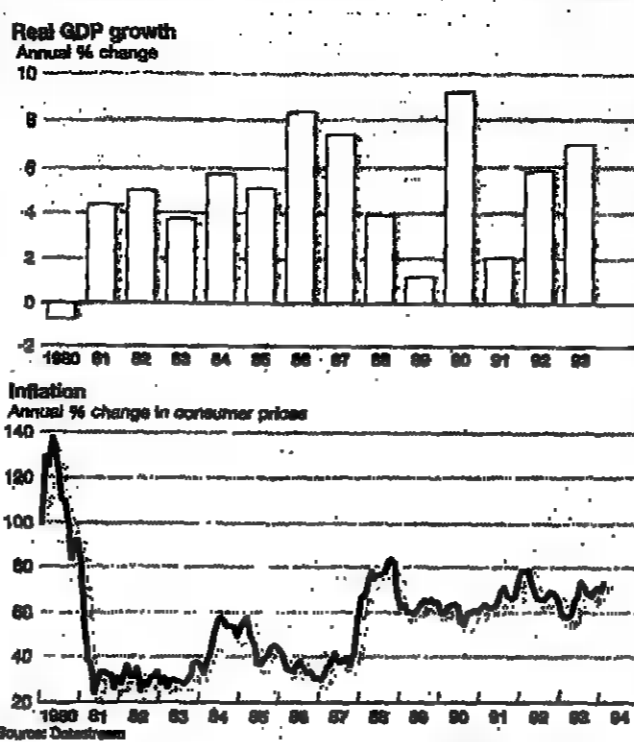
With an inflation rate of 74 per cent in March, the time of reckoning has clearly arrived. However, while the government realises the pressing need to cool the economy, it also fears the possible consequences. An important reason for Mrs Ciller's failure to take remedial action earlier was the memory of the effects of Turkey's last big austerity package, announced in January 1990 by her predecessor Mr Suleyman Demirel, who took over as Turkey's president in May last year.

The 1990 measures, launched at the behest of the International Monetary Fund to boost exports and

Turkey has taken steps to avert economic crisis - but the price may be a political backlash, says John Murray Brown

Falling back to earth with a bump

Turkey's economy: stored-up troubles



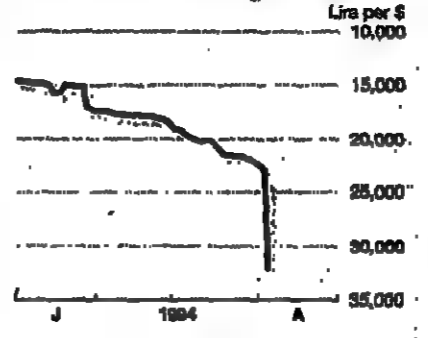
control inflation, led to months of social disruption which eventually sparked a military coup d'etat in September 1980. Mr Mesut Yilmaz, the leader of the main opposition Motherland party, Anap, this week called Mrs Ciller's package "a bad copy" of the January 1990 measures.

Since the reinstatement of democracy after a change of constitution in 1982, Turkey has made an impressive political and economic recovery. But anxieties about political stability have resurfaced in recent weeks as a result of violent unrest in the Kurdish speaking south-east of the country and the surprising gains made by the Islamist-based Refah party (RP) in the municipal elections on March 27.

The RP gains, particularly its victories in Istanbul, the largest city, and the capital Ankara, unsettled Turkey's pro-western secular political class. Coupled with reports of Islamic vigilantes imposing Islamic rules on the streets of



Turgut Ciller, prime minister



cities, the election results have heightened fears that Mrs Ciller's economic package fails.

In many ways, however, Mrs Ciller emerged strengthened from the election. After campaigning on a platform of tough law and order measures against Kurdish rebels, her True Path party finished with a narrow overall victory over the Anap opposition party.

Nevertheless, the suggestion that the secular reforms established by the new Republic could now be at risk sets off alarm signals among Turkey's western allies. Turkey remains a vital strategic partner for the west in a troubled part of the globe bordering the Balkans, the Caucasus and northern Iraq. Also, the country is an important source of business for the European Union, with trade between Turkey and the EU reaching \$20bn in 1993, making it the Union's ninth largest trading partner.

Turkey is making all-out

attempt to increase the competitiveness of its economy in preparation for the planned customs union with the EU in 1995. Its application for membership of the EU was made as long ago as 1987. However Turkish ministers are resigned to countries from central and eastern Europe joining the EU some time around 2000, perhaps a decade before the date when Turkey will be allowed to accede.

Important clouding relations with the EU is Turkey's heavy-handed military clampdown on Kurdish unrest. Sir Leon Brittan, the EU commissioner, has warned, during a visit to Ankara in February, that Turkey would benefit from the customs union only if it took firm action to control state finances.

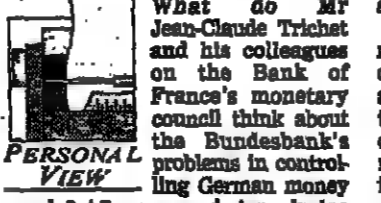
International credit agencies have twice downgraded Turkey's credit rating. EU officials believe Turkey will struggle to fulfil the customs union commitment. But industries such as the powerful automobile sector - hard hit by this year's steep rise in borrowing costs - are looking for exemptions to the customs union timetable. EU Commission officials warn that this will be countered by calls from European textile producers to retain quotas against Turkish textiles.

The government's most important short-term priority is to implement Mrs Ciller's package. All since the last year as prime minister last summer, her economic policy achievements have failed to match her rhetoric. However western economists point out this is the first time the government has explicitly envisaged the closure of loss-making state industries.

"If this is what is needed to keep the fundamentalists out of power that's fine, I think people are prepared to pay the price," was how one Istanbul banker put it. Western diplomats believe Anap will eventually endorse the measures - above all because, after its lacklustre performance in the municipal elections, Anap is in no mood to force an early general election.

The prospect that Turkey could fail to implement the package is, however, deeply worrying - not just for Turkish industry and for holders of the country's \$40bn foreign debt. A severe economic crisis would give further support to Islamic radicals - raising the prospect of a shift in Turkey's western orientation that would further unsettle one of the world's most volatile regions. As Mrs Ciller in coming weeks struggles to deliver the economic medicine Turkey urgently needs, much more than the fate of the Turkish economy will hang in the balance.

Bank of France must go its own way



What do Mr Jean-Claude Trichet and his colleagues on the Bank of France's monetary council think about the Bundesbank's problems in controlling German money supply? After renewed signs during the past few weeks that M3 "broad money" is expanding beyond the Bundesbank's target range, should France not be implementing a monetary policy aimed at its own domestic economy, rather than acting as a Bundesbank satellite?

We are unlikely to find the answer to either question - at least in any coherent way. The monetary council, since it was set up in January, is behaving more like yet another elitist club within a secret state than a pioneer of a new liberal monetary order. Mr Trichet, the Bank's governor, announced after the council's first meeting that he is the sole spokesman to the press. Any suggestion that council members would voice their views publicly, in similar fashion to officials of the Bundesbank or the US Federal Reserve, was rebuffed.

crucies would argue that there are no secret council deliberations to discover. Attempts by journalists and market analysts to ferret out the council's position on the biggest question of all - should French monetary policy become much more independent of the Bundesbank? - could mirror poor K's efforts in Kalf's "trial" to find out the contents of his judges' notebooks: the result would be blank pages.

The cynics have a point. The Balladur government, in its rush to grant independence to the Bank of France, has left the council largely insulated from the type of normal pressures which would, in an open society, lead to changes in policy. Members have not had to face questions from any parliamentary committee. Nor do they publish minutes of meetings. They are not subject to US-type freedom of information legislation. The Bank of France's monthly bulletin remains bland, offering no insights to compensate for secrecy elsewhere.

All this illustrates that liberal ideology was hardly a big influence on Mr Balladur's decision to give prior

ity to central bank independence. Rather, the driving idea was that independence would boost the credibility of France's anti-inflation policy. France would thereby enjoy the benefits of lower interest rates and an even harder currency. This hypothesis is now in doubt. French bond yields have risen by more than 1 percentage point in the three months since the council started work.

In view of the recent history of error in German monetary policy, could France not aim to do better?

work, whereas the rise in German rates has been only 0.70 point.

So long as independence means that the central bank is free to follow a policy of imitating every Bundesbank move, in splendid isolation from domestic political pressure, there is little prospect of any gain. The French financial markets and macroeconomy will remain vulnerable to monetary and fiscal

shock from Germany. At best the credibility of French monetary stability can be no greater than Germany's. Yet in view of the recent history of error in German monetary policy, could France not aim to do better? Achieving a higher monetary standard of performance than Germany would route France the best long-term route to lower interest rates.

The council is seen to have been brought down by dependence on the Bundesbank. France could become a case study in how not to grant independence to a central bank. A failure of the French economy to recover significantly later this year might turn the council into a scapegoat in the presidential election campaign.

Perhaps there is still an opportunity for the Balladur government to prompt a change in course. Legally, the French government has responsibility for exchange rate policy. Mr Balladur could instruct the council that a D-Mark is no longer a central aim. Paris needs only to drop hints that exchange rate stability is less important than other

objectives. The D-Mark rate would then fall.

An end to the stable D-Mark policy could also come irrespective of Mr Balladur's decision. The possibility that his rival, Mr Jacques Chirac, may occupy the Elysee Palace next spring could act as a catalyst for a new franc.

The franc is poised in Rumpstiltskin just above its old support level of FF40. It is cracked on the wall again, the French and German governments are unlikely to send in a joint rescue force. Such a fatal accident would indeed be for the best. A floating franc would not end the need to co-operate with the Bundesbank. It would, however, provide France with the best opportunity for constructing a domestic anchor for monetary policy that reconciled central bank independence with genuine economic liberalism.

Brendan Brown

The author is head of research, BARRONS FRANK MATTHEWS

Historically challenged

In terms of sporting disasters, the cancellation of England's friendly football match with the Germans does not rank with last year's Grand National fiasco. But someone deserves a red card.

When did the Football Association first wake up to the fact that the match fell on the anniversary of Adolf Hitler's birth? Seemingly, no one there knows much about history - which is a little surprising given the age of some FA members. If the organisers of today's annual Anglo-German Kingswinter conference had invited along the old FA official, this sort of mistake might have been prevented.

Meanwhile, the German football federation does not emerge from the affair any better. It talked tough about wanting the game to go on, presumably in the hope that the cowardly Brits would cancel it.

As for Terry Venables, new manager of the England team, he's lost the chance to make his mark. The last time there was as big a fuss over a match (1938), England beat the Germans 6-3... and went on to win the war.

Mr Who

How the mighty have fallen. The latest issue of the AEEU journal carries an interview with Glensy Kinnoch on "Europe, politics and being married to an MP".

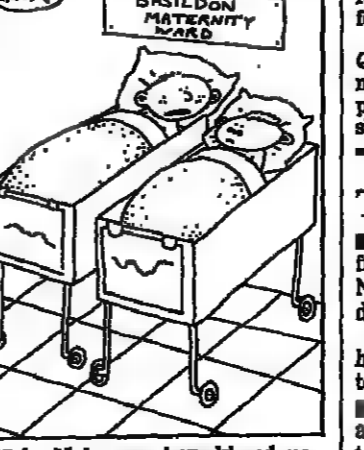
Ringling silence also on the dole dished out to remaining board members - including an imminent one on executive share options. The reason is a little piece of cunning accounting suggested by the board's advisers. The only true legal director is a corporate entity, the Financial Reporting Council.

Thus none of the board members is a member of the board at all.

United in defence

Bill Clinton can do with all the help he can get in defusing the Whitewater row. But even he might balk at his newest defender - Lyndon Larouche, the political extremist and conspiracy merchant not long released from a Virginia

OBSERVER



'John Major may have kissed me and changed my nappy but he won't get my vote'

jail after serving a term for tax fraud.

Larouche, who took the short trip round the dark side of the moon from the far left to (mostly) far right, is planning another presidential run. His exploratory campaign organisation goes by the wonderful title of The Committee to Reverse the Accelerating Global Economic and Strategic Crisis.

Whitewater, according to the CRAGESC gospel, is, of course, all a plot by British intelligence and others intent on destabilising the US presidency. Active co-conspirators include Conrad

Black and his media empire, Henry Kissinger and those responsible for the Hebron mosque massacre. Larouche, who used to list the Queen of England and anyone named Rockefeller among the world's plotters, claims that he and Clinton share a lot of the same enemies.

Turkish front

Aysegül Nadir, divorced twice from fugitive business tycoon Asil Nadir, is not known for her discretion.

The former beauty queen is using her charms via a telephone hotline to raise money for young Turkish patriots fighting in the armed forces against the Kurds. Donations are to be sent to account number 11111 at an Istanbul branch of Impebank.

Isn't this the bank her ex-hubby once owned and allegedly used to channel Polly Peck funds into his personal and private business activities?

Slotted out

Some 67 per cent of Americans approve of legalised gambling, according to a survey published yesterday. Unfortunately, however, they do not live in Missouri, where ornery southerners have voted down a constitutional amendment to legalise all sorts of riverboat gambling.

Riverboat casinos are big

business on the Mississippi. States encourage them because of the money and jobs they bring; but paradoxically, opposition to gambling is stronger in the traditional south than almost anywhere else in the US.

Yesterday's referendum result will leave riverboat casino operators free to offer games of skill, like poker and blackjack, but not slot machines where the real money is made.

No doubt the riverboats will be slipping their moorings and floating over to the opposite bank of the river - in the state of Illinois.

With nail and eye

South Africa's courageous press has extended the frontiers of freedom.

The latest issue of Scope, a monthly magazine, boasts "SA's first full-frontal nude pin-up".

The breakthrough is the result of an ingenious circumvention of censorship regulations. What the magazine calls "the naughty bits" on the centrefold female baring almost all are concealed by an overprinted silver fig-leaf.

Readers are told it can be removed "by rubbing it carefully with a fingernail". If what lies underneath might offend, "Don't touch the fig-leaf." It sternly warns. "Welcome to the world's participatory democracy," says Scope's trailblazing editor, David Mollay.

China sounds warning note on deterioration of state industry

By Tony Walker in Beijing

China sounded a rising alarm yesterday over the deteriorating state of its industry, which is under pressure to transition to a market economy.

In the People's Daily - the Communist party newspaper - and the Economic Daily drew attention to potential instability in China's cities where enterprises are undergoing a painful transformation.

References in the official press to China's economic problems coincide with indications that the country is entering an uncertain period, with fresh reports about the deteriorating health of senior

Deng Xiaoping. "This year and next the employment situation will be extremely grim," said the People's Daily in an unusually frank assessment to looming problems in a politically sensitive area. The Economic Daily also displayed unusual candour in referring to the plight of the state-owned enterprises which it would register little or no growth this year due to "lack of funds and sales".

Western observers in Beijing wonder whether the fresh mention of the Jingsheng, China's most prominent dissident, on suspicion of committing "new crimes" might be connected with internal party struggles. The dissidents have in the past been tied to conflict between party and hardliners.

Confirmation of pressures on the once heavily subsidised state sector came with a report yesterday that a Shanghai textile company had become the city's first state enterprise to file for bankruptcy.

Wei Po, a pro-Beijing Hong Kong daily, reported that the Shanghai Number Two Textile Band Factory had made the move last month. It blamed management, accumulated debts and removal of subsidies. Enterprises throughout China face similar problems. In industrial strongholds like Wuhan in central China and Jinan in the north-east, unemployment is rising rapidly and state-owned enterprises are barely surviving. Unemployed workers in state enterprises across China

are engaged in unprecedented levels of protest in the past year. Official unemployment in urban areas is 2.6 per cent, but this vastly understates the extent of the problem. Some estimates put urban unemployment at about 20 per cent of the workforce.

People's Daily quoted Li Boyang, the labour minister, as saying that the country was "faced with unprecedented challenges in deploying all the jobless".

China is grappling with a huge surplus of state-owned enterprises numbering 130m and 200m. Millions are seeking employment in the cities, adding to pressures on hard-pressed municipal authorities.

Bellard visits Beijing, Page 5

Leading liberal justice of Supreme Court to retire

By Jurek Martin in Washington

Justice Harry Blackmun, US Supreme Court's leading liberal, yesterday announced his retirement at the end of the court's summer term, giving President Bill Clinton the chance to name his successor.

Mr Clinton yesterday gave a brief and moving tribute to Justice Blackmun, famous for his ruling upholding abortion rights. But he gave no clues as to who might get the vacant seat.

The bench since coming to office. "This is Justice Blackmun's day," Mr Clinton said. The president is thought likely to pick someone close to Justice Blackmun's views, meaning little immediate change in the political balance of the Court. The prospect of rightwing justices on the bench, which seemed on the cards during the Reagan and Bush presidencies, has receded.

But the delicate mechanisms of the bench may persuade Mr Clinton to name a nominee inclined to moderate and committed to the independent-minded Blackmun, who took pride in principle. Mr Blackmun was appointed to the bench by President Richard

Nixon in 1971 as a moderate alternative to more conservative nominees to the bench.

However, a lifelong Republican leavened by the progressive traditions of his native Minnesota, Justice Blackmun quickly emerged as a liberal bulwark. On the current Court he is aligned with Justice John Paul Stevens, another Republican appointee, with the liberal ground occupied by Justices Ruth Bader Ginsburg, Sandra Day O'Connor, Anthony Kennedy and William J. Brennan Jr.

Justice Blackmun was the principal author in 1973 of the 7-2 Roe v Wade ruling protecting the right to abortion. Unapologetic in his end of the ruling, he simply said yesterday he thought "a necessary step" on the road to the full emancipation of women.

He also remained adamant opponent of capital punishment, unconvinced it served as a deterrent. But he frequently sided against a national tide, with two of the states now employing the death penalty (proudly,

he would point out that Minnesota had legally executed nobody in years). "It hasn't been fun on most occasions," Justice Blackmun wryly noted of his frequent dissent in the Court's minority. But Mr Clinton, an old acquaintance, saw it otherwise. "Justice has not only been his title, it has been his guiding light."

Justice George Mitchell of Maine and Mr Thomas Babbitt, interior secretary, are among the leading candidates to replace Justice Blackmun. Other candidates include three federal judges - Mr John Cabranes from Connecticut, who, if selected, would be the first Hispanic justice. Mr Stephen Breyer from Massachusetts and Mr Richard Arnold from Arkansas. All are seen as strong contenders in the search for a Supreme Court nominee, a position held by Justice Ginsburg.

Interest centres on Senator Mitchell, the Democratic majority leader who has announced he will not seek re-election this November. The problem facing the president is his need for Mr Mitchell's help this year in shepherding his domestic legislation through Congress, above all the health care bill.

Gen Rose to mediate in Bosnian peace talks

By Our Foreign Staff

General Michael Rose, the UN military commander in Bosnia, yesterday agreed to a Bosnian request to arrange talks with their Serb enemies on an overall ceasefire.

Gen Rose, speaking after talks with the Bosnian Serb leader, Mr Radovan Karadzic and military chief, General Ratko Mladic, said the Serbs had pledged to stop shelling the enclaves of Srebrenica and Zepa.

He cancelled a planned visit to the enclave yesterday.

At least 20 people have been killed and 300 wounded in a week-long upsurge of fighting around the enclave, one of three so-called UN "safe areas" for Muslims in a largely Serb-controlled region of eastern Bosnia.

The British officer played down the cancellation of his own trip to Gorazde. "If they [the Serbs] don't want us to go there now, then we have to accept that," he said. However, the Serbs did allow some UN monitors into the enclave.

Gen Rose appeared to accept the Serb contention that the recent push forward by their forces around Gorazde - who have come within a few miles of its centre, but not in sight of capturing the enclave - was in response to Muslim advances in other parts of Bosnia.

The Serbian request for talks and the UN's willingness to finalise the request as sincere, boosted hopes that the "rolling ceasefire" process could acquire fresh momentum.

However, diplomats said further progress would depend on consistent pressure from Washington and Moscow, and the Sarajevo peace conference and the Dayton pact between Bosnian Muslims and Croats.

N Korea issues warning to Japan

Continued from Page 1

Korean nuclear weapons would never be used against South Korea or the US.

The statement could be seen as a warning to the Japanese government to take a tougher line against North Korea over the issue of nuclear site inspections. They will also provide support for Japanese officials arguing that the country must boost its nuclear capability.

North Korea has already developed a missile, the Rodong-1, that

reach most of Japan, although military analysts believe that Pyongyang does not yet have the capability of building a sophisticated missile small enough to fit on the missile.

But the ambassador's comments appear to confirm analysts' view that North Korea might use the Japanese fast-breeder reactor, which produces plutonium, as a pretext for proceeding with its own production of plutonium, used in the making of nuclear weapons.

R the North Korean warning this week it might be ready to resume plutonium production.

Some analysts in Seoul believe Mr Cha's remarks might be an attempt to ally South Korea's fears about the development of a North Korean nuclear weapon by appealing to the Japanese dislike of Japan.

North Korea has come under pressure to open up its nuclear facilities to international nuclear inspections to dispel suspicions that it is developing weapons.

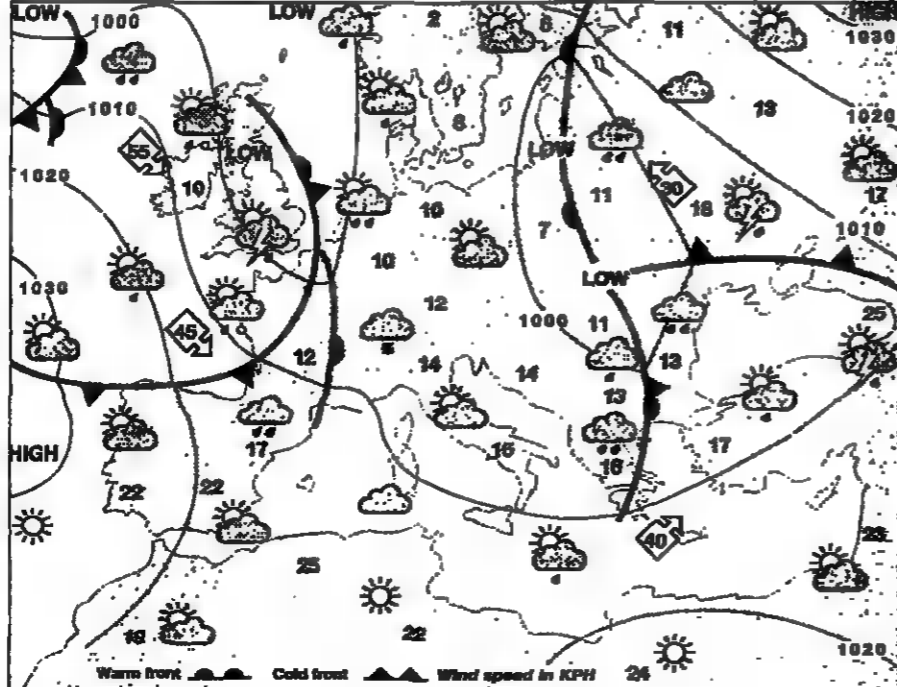
WEATHER GUIDE

Europe today

Western Spain and Portugal, central Italy and Poland will be mainly dry and sunny. Elsewhere it will be unsettled and cool. France will be cloudy with rain while the Benelux and northern Spain will be showery. The UK will have a mix of showers, some with hail and thunder, and there will be snow on the hills. Snow is also expected in the Swiss and French Alps. A few showers will develop over southern Italy and in Greece. It will rain in the Balkans, eastern Russia and Finland. Northern Scandinavia will have broken cloud with wintry showers.

Five-day forecast

A weather system moving south-east, reaching the North Sea during the weekend, it will cause showers in western Europe, some with hail and snow at higher ground. Spain will remain sunny. The northern Balkans will stay cloudy with showers and thunder storms.



TODAY'S TEMPERATURES

Abu Dhabi	28	Beijing	18	Cairo	24	Dubai	28
Accra	28	Belgrade	18	Edinburgh	14	Dubrovnik	14
Algiers	28	Berlin	11	Faro	18	Madrid	22
Amsterdam	10	Bombay	24	Frankfurt	11	Manchester	11
Atlanta	10	Buenos Aires	21	Geneva	11	Maracaibo	26
B. Aires	14	Buenos Aires	21	Glasgow	11	Medan	26
Bham	27	Cairo	24	Hamburg	11	Meibourne	24
Bangkok	27	Cape Town	20	Heidelberg	11	Mexico City	24
Barcelona	20			Helsinki	11	Osaka	24
				Hong Kong	22	Seoul	24
				Kuala Lumpur	22	Singapore	24
				London	11	Stockholm	12
				Luxembourg	11	Sydney	26
				Madrid	22	Taipei	26
				Manila	26	Tokyo	26
				Montreal	11	Toronto	12
				Moscow	11	Vancouver	12
				Munich	11	Verona	12
				Nairobi	11	Vienna	12
				Naples	11	Warsaw	12
				Nassau	11	Wellington	12
				New York	11	Winnipeg	12
				Nice	11	Zurich	11
				Osaka	11		
				Perth	11		
				Prague	11		

Lufthansa Express
 The best connection in Germany
Lufthansa
 German Airlines

THE LEX COLUMN

Storms over the Channel

Financial Times' editorial against a lackluster corporate financier, who talked about his forthcoming rights issue, will enhance Swiss Bank Corporation's maverick reputation. Yet despite the ticking-off, SBC will retain an important role in Euro-tunnel's fund-raising. Its agreement to sub-underwrite the rights issue is a portion of the rights issue helped cement a deal between contractor and builder. SBC is also likely to play a big role in the Euro-tunnel's shares.

SBC has trodden on the toes of the City establishment before. It gate-crashed BZV's enhanced scrip dividend party when it perceived the margins were too fat and launched a competitive auction for the rump of Trafalgar House's rights issue. At a general level, it would be a welcome development if SBC could succeed in its attempt to inject some fresh thinking into the core world of underwriting. After all, real competition is likely to provide a more effective deterrent against the threat of cartels than strictures from the Office of Fair Trading.

By applying its expertise in derivatives markets to assess the volatility of a company's shares, SBC claims it can judge whether the standard 2 per cent underwriting fee is appropriate to the risk. Such an approach has advantages for favoured clients, which are guaranteed their money at less cost. The danger is that by squeezing the fees on the good deals, SBC may upset the institutions on which it must ultimately rely. In the interests of self-preservation, most financial advisers have chosen to side with the fund managers who have the money rather than the companies which need it.

Gen Rose, speaking after talks with the Bosnian Serb leader, Mr Radovan Karadzic and military chief, General Ratko Mladic, said the Serbs had pledged to stop shelling the enclaves of Srebrenica and Zepa. He cancelled a planned visit to the enclave yesterday. At least 20 people have been killed and 300 wounded in a week-long upsurge of fighting around the enclave, one of three so-called UN "safe areas" for Muslims in a largely Serb-controlled region of eastern Bosnia.

The British officer played down the cancellation of his own trip to Gorazde. "If they [the Serbs] don't want us to go there now, then we have to accept that," he said. However, the Serbs did allow some UN monitors into the enclave.

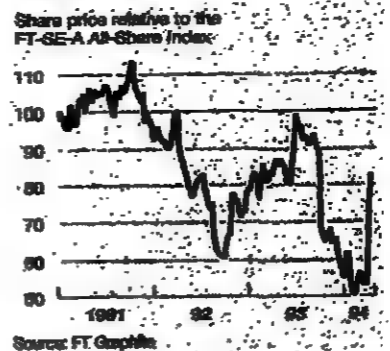
Gen Rose appeared to accept the Serb contention that the recent push forward by their forces around Gorazde - who have come within a few miles of its centre, but not in sight of capturing the enclave - was in response to Muslim advances in other parts of Bosnia. The Serbian request for talks and the UN's willingness to finalise the request as sincere, boosted hopes that the "rolling ceasefire" process could acquire fresh momentum.

However, diplomats said further progress would depend on consistent pressure from Washington and Moscow, and the Sarajevo peace conference and the Dayton pact between Bosnian Muslims and Croats.

FT-SE Index: 3131.5 (+15.3)

Hogg Group

Share price relative to the FT-SE All-Share Index



Source: FT CompuLink

shows the cartel's weakness and inability to police quotas. Indeed, the Saudis seem determined to expand their market share at the expense of price. There are also the medium-term fears of the return of Iraq to the market and the rejuvenation of Russian oil fields with western technology. The rapid expansion of natural gas threatens some of oil's traditional markets.

Yet the slip in the oil price in the last few months happened despite a near-balance between supply and demand. Stocks were drawn down heavily in the first quarter in Saudi Arabia, Opec has little chance to expand production in the short term. There may also be some financial support for oil prices later, as the Saudis and Opec funds will hang around to wait for it.

Groupe Suez

The looming sale by Groupe Suez of its insurance subsidiary does little to lessen the confusion surrounding its strategic direction. This is not because a company anxious to maintain a profile in financial services is shedding an insurance business. Suez lacks the retail banking network that is needed to distribute bancassurance products, and Victoire is a less interesting investment since its German business was sold last year. Without Victoire, though, the Suez portfolio, which ranges from banking to hotels and steel, will look odder than before.

Recent asset sales appear driven primarily by the need to offset losses on property lending. Exceptional gains of FF4.4bn from asset sales last year more than accounted for net profits of

FF1.6bn. Provisions should be lower this year but, given the exposure of Suez to the still weak commercial property market, the improvement may be slow. Victoire may thus be the most convenient piece of family silver to put up for sale.

But Suez is also raising resources to go on the acquisition trail. Its industrial stakes may give it clout in investment banking but such an approach depends heavily on an ability to make sensible purchases. Suez will be judged as much by what it buys as what it sells. Given the discount of some 30 per cent to net assets at which its shares are trading, the equity market is not particularly confident. If there are resources to spare, investors might prefer to have them back.

Hogg Group

The prospect of a bid for Hogg Group has at least pushed the shares above 1990's 150p rights price. While Hogg is not the only insurance broker to fall on hard times, its record since the rights issue is hardly edifying. Problems in US retail broking and fine art insurance were behind the most recent disappointments. Given that troubled history, a multiple of around 35 times this year's forecast earnings at yesterday's closing price might look expensive. But potential buyers - including HSBC Holdings with a 6 per cent stake - must fancy their chances of squeezing substantially more out of the business than the current management.

Combining Hogg's US retail broking offices with a larger network, for example, could transform the outlook. That logic might appeal to an established US broker with an eye on the UK market. Even after yesterday's rise, Hogg's market capitalisation is only a shade higher than its annual broking revenue. On that measure, it is not yet expensive. If HSBC is preparing to make a full bid, it must expect some competition.

Sadly for shareholders in other troubled insurance brokers, Hogg looks like a special case. A high-profile regional office makes Hogg an unusually predictable target. Any potential bidder for Steel Burrell Jones - whose shares rose in sympathy with Hogg yesterday - would run the risk that its prized London market brokers would jump ship. The long-awaited shake-out among insurance brokers is still not at hand.

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Hilton International Hotel, Boulevard de Waterloo, 18
- Amsterdam - Tuesday 19 April at 6.15pm
Amstel Intercontinental Hotel, Professor Tulpplein, 1
- Copenhagen - Wednesday 20 April at 6.15pm
Hotel d'Angleterre, Kongens Nytorv, 34
- London - Tuesday 26 April at 6.15pm
London Business School, Sussex Place, London NW1 4SA

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INTERNATIONAL COMPANIES AND FINANCE

CarnaudMetalbox posts 14% decline to FF835m

By John Riddling in Paris

CarnaudMetalbox, the Anglo-French packaging group, yesterday announced a 14 per cent fall in net profits to FF835m (\$143.23m) for 1993 and expressed caution about prospects for the coming year.

Mr Jürgen Hintz, chairman, described 1993 as a tough year. "In half of Europe, currency translations reduced our profits by about 10 per cent compared with 1992. In the other half, packaging markets suffered the worst decline in about 20 years. Pricing pressure was everywhere," he said.

Mr Hintz added that pressure on prices and volumes resulting from the impact of the recession had led to a result, he said, "we have

remain cautious about projecting any meaningful profit improvement for the year, at this stage". The group decided, however, to maintain the dividend at FF4 per share.

According to Mr Hintz, the decline in the group's performance in 1993 had been limited by cost-saving measures, restructuring and the benefits of acquisitions. These included Anchor Hocking, a US food packaging group, and food-can companies in Hungary and Finland. In the group's health and beauty division, the group acquired Zeller Plastik, a manufacturer of plastic closures.

The acquisitions represented a 4 per cent contribution to last year's net profit of FF835m, a 2 per cent decline on the 1992 figure. Excluding currency effects, however, the result was

a similar proportion. The total of last year's acquisitions was FF2.5bn, although the group's net profit was limited to FF835m through the disposal of non-strategic businesses and solid cash flow.

Operating profits fell by 16 per cent, or by 10 per cent if currency effects are included. CarnaudMetalbox said the decline in profits was entirely the result of particular difficulties in the European beverage cans market, weak demand in Germany and specific problems in Asia.

In the bulk of the group's businesses, accounting for about 75 per cent of turnover, the company said that productivity improvements had compensated for market conditions.

Strategy changes help Cerus reduce loss

By John Riddling

Cerus, the French holding company controlled by Mr Carlo de Benedetti, the Italian industrialist, achieved a sharp reduction in net losses last year, to FF251m (\$43.05m) from FF1.55bn in 1992.

The group said the improved performance reflected its strategy of focusing on industrial activities and cleaning up its finances. Mr de Benedetti said the company was "in a position to prepare for take-off again".

The reduction followed reduced losses at its banking operations and a solid contribution from Valeo, the French vehicle components group in which Cerus holds a 30 per cent stake.

Losses at Danubien Leblé, the group's banking operation, fell to FF363m from FF1.34bn. Cerus said that its management had been "re-centred" in France, Luxembourg and Belgium and that the bank's principal risks had been resolved. Cofir, the group's financial operation, contributed profits of FF26bn, despite difficult conditions in Spain.

A much larger contribution, of FF206m, came from the group's investment in Valeo, despite the downturn in the European vehicle sector. Cerus described Valeo's prospects as "particularly promising" and said its participation would remain at the centre of the group's strategy.

In addition to curbing group losses, Cerus also achieved a sharp reduction in debt, partly through the sale of assets. Net debts, according to the group, were FF1.08bn at the end of 1993 down from FF1.45bn at the end of 1992.

Unifon Foncier lifted its gross operating profit by 50 per cent to FF1.25bn from FF830m. The net contribution rose 25.4 per cent to FF510m during the 12 months to December 31 last year. Reuter reports from Paris. The group's total loan book grew 4 per cent to FF333bn. Subsidised loans fell 3.5 per cent and outstanding on long-term market sector loans rose 24 per cent.

Sainsbury joins European alliance

By Neil Buckley in London

J. Sainsbury, UK food retailer, is joining three continental European retailing groups to form a partnership which will be one of Europe's largest retail associations.

Other members of the group, known as SEDD, are Esselunga, the family-owned group that is Italy's third largest retailer; Docks de France, one of France's biggest grocery groups; and Delhaize "Le Lion", Belgium's largest supermarket operator.

Mr Michael Morgan, Sainsbury's director of international

buying, said the partnership was more than a buying group, but a "multi-functional" alliance. "This will be a strong pan-European association of leading and respected companies, a group that could benefit many people," he said.

"If we go into something like this, we will not be keeping one hand behind our back. There has got to be a relationship of trust and mutual respect."

He said all members would exchange knowledge in areas such as information technology and systems. There may also be co-operation in marketing and distribution. Sainsbury's partners may benefit from its expertise in developing own-label products.

The four groups exert considerable buying power, but Mr Morgan said while buying would be co-ordinated, it would not be centralised.

He added that manufacturers would gain from the partnership, with the opportunity eventually to launch products in four markets simultaneously.

Mr Morgan said the groups, which all retain a strong family influence, were "culturally alike". There were, however, no plans to strengthen the relationship, for example through

cross-ownership of shares. Last year, Sainsbury developed links with Docks de France, which operates the Mammouth hypermarket chain, leading to the decision to formalise the partnership. The UK company and Docks de France is to open a jointly-owned off-licence in Leeds at the end of this month.

As growth opportunities within home markets diminish, analysts expect more retailers to be pushed into alliances. Argill, the UK's third-largest grocer, is already a member of the European Retail Alliance, with Ahold of the Netherlands and France's Casino.

SE-Banken sells Swiss unit

By Christopher Brown-Humes in Stockholm

Skandinaviska Enskilda Banken, the leading Swedish commercial bank, has announced the sale of its Scandinavian unit to a consortium for more than \$250m. The buyer is the Family Foundation of Louisiana.

SE-Banken declined to reveal precise terms for the deal, but said it would have a "significant positive" effect on earnings and a "limited positive impact" on its capital ratio.

The private bank specialising in fund and

management, made a SF22m (\$15.2m) profit last year and a SF1.3bn (\$850m) profit in 1992.

Mr Lars Isacson, SE-Banken chief financial officer, said the sale was part of the group's programme to concentrate on core Swedish operations. Earlier this year the bank sold three subsidiaries within the Finance Group to GE Capital as part of its strategy.

Mr Isacson said SE-Banken would remain involved in fund and asset management, but the emphasis would be on the Swedish market. "Banque Scandinave en Suisse" developed a Scandinavian flavour," he stated, adding that the impor-

tance to the group had diminished as European integration had progressed. The bank intends to retain a private bank in Luxembourg to serve international clients.

SE-Banken has been a stake in BSS since 1964 when the operation was set up in partnership with other Scandinavian banks. At the end of this year it held 79 per cent of the bank's equity, buying the outstanding shares from the Northern Trust Corp of the US a month ago.

The Sandoz Family Foundation was set up in 1964 to maintain a 10 per cent voting stake in Sandoz, the Swiss pharmaceuticals group.

AP Moller advances to DKr2.91bn

By Hilary Bernes in Copenhagen

AP Moller, the shipping and oil and gas group, increased pre-tax profits to DKr2.91bn (\$434m) last year from DKr2.29bn in 1992, while net profits increased to DKr1.98bn from DKr1.53bn.

Turnover in the shipping business, Tankers & Liners International, rose to DKr2.41bn from DKr1.95bn and net profit

to DKr1.45bn from DKr1.02bn. Turnover in Oil and Gas Partnership, which is engaged in production of oil and gas from the Danish North Sea, rose to DKr3.7bn from DKr3.3bn and net profit to DKr1.34bn from DKr1.27m.

An increase in proposed in the parent companies, D/S Svendborg and D/S 1912, both listed on the Copenhagen Stock Exchange. The dividend from

D/S Svendborg rose up to DKr1.00 per share from 45 per cent, and from D/S Svendborg to 75 per cent from 60 per cent, with the total up to DKr2.24m from DKr1.78m.

Group assets increased to DKr1.1bn from DKr1.3bn and equity capital to DKr1.93bn from DKr1.75bn. The preliminary report showed the results of Mærsk Line, which operates container-carrying services, as satisfactory.

BNL held back by provisions

By Andrew Hill in Milan

Consolidated net group profit at Banca Nazionale del Lavoro, the Italian Treasury-owned bank, dropped to L1.2bn from L1.4bn following write-offs of capital losses, depreciation and bad debts.

BNL said the provisions were in line with prudential standards, and the group's policy of strengthening its financial position.

Before adjustments, the

group reported a surplus of L2,866m, up 31.3 per cent on the 1992 figure of L2,054m.

The group, which has undergone reorganisation over the last two years, including transformation into a joint stock company, reported a L1.4bn depreciation and related losses on investments; L1.1bn to bad debt reserves; and L394m to other provisions. Further L477m was set aside to cover deferred interest payments,

and L549m for debt write-offs. In February, BNL unveiled a strong increase in parent company profits for 1993. The parent company's gross operating profit rose 68 per cent last year to L1,537m.

The group's total customer deposits rose by just under 2 per cent last year to L24,053m, while total assets rose to L28,575m. The group's loans to clients grew by 4.3 per cent to L100,800m, out of total loans of L146,014m, up 11.4 per cent.

Suez sees summer sale of Victoire

By Alice Rawsthorn

Suez, the French financial and industrial holding company, hopes by early summer to sell the insurance business, Mr Victor Worms, chairman, said.

Victoire has been for sale since last autumn when Suez, which on Tuesday announced a return to the black with a net profit last year of FF1.6bn

(\$270m), took full control of the company by acquiring the minority shareholding previously held by Union des Assurances de Paris.

Mr Worms said that "European companies" had expressed interest in Victoire, which is valued at FF1.8bn in Suez's accounts. He added that bidders had been asked to submit offers by the end of the next few weeks. A decision of

prospective purchasers, including BAT Industries, the UK conglomerate, have already withdrawn from negotiations. The Victoire sale forms part of an aggressive programme of asset disposals by Suez.

Mr Worms said Suez envisaged a future dual role as a financial services conglomerate and a majority shareholder of other businesses. Lex, Page 14

Manchester Utd ahead in first half

By Tim Burt in London

Manchester United yesterday shrugged off disappointment at its 1-1 draw from last season's FA Cup semi-final suspension as players by unveiling a 65 per cent increase in first-half profits.

The UK football club saw pre-tax profits grow to \$7.6m (\$11.09m) from \$4.62m in the

six months to January 31, as the club benefited from greater stadium capacity and success in cup competitions.

The announcement prompted a 15p increase in the share price to 87p - reversing losses following recent defeats and representing a 75 per cent gain on the 1991 flotation price. Gate receipts rose 88 per cent

to £10.6m, while merchandise turnover jumped threefold to £6.6m. Together, they underpinned a 75 per cent increase in total turnover to £22.8m.

Earnings per share rose from 25.8p to 43.2p before switching funds to the transfer of reserves, and 28.8p afterwards. An interim dividend of 5.5p is declared, up from 6p.

Crédit Lyonnais restructures management

By Alice Rawsthorn in Paris

Crédit Lyonnais, the troubled French bank, is restructuring its international management team as part of the new strategy being implemented by Mr Jean Peyrelevade, chairman. Mr Peyrelevade, who last month announced details of the loss-making bank's FF44.9bn (\$7.7bn) government-backed rescue deal, has created new positions at the top of its operations in the UK, US and Japan.

Mr Bernard Darmayan, former head of Crédit Lyonnais' currency activities in Paris, taken charge of its UK business. Mr Robert Cohen becomes head of its US operations and Mr Bernard Mignucci adopts the same role in Japan. Both Mr Cohen and Mr Mignucci were previously general managers of Crédit Lyonnais in those countries.

The three appointments will not, as newly created posts, involve any job losses. However Mr Peyrelevade last month announced plans to reduce Crédit Lyonnais' 32,861-strong workforce outside France by 4 per cent over the next three years. Meanwhile Mr Jean-Yves Haberer, whom Mr Peyrelevade replaced last autumn as chairman of Crédit Lyonnais, yesterday appealed to the Conseil d'Etat, the government body, to challenge the legality of his dismissal last week as chairman of the Crédit National banking group.

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Lima-Perú, March 1994
THE SPECIAL COMMITTEE

ARIBAS GROUPE PARIBAS GROUPE PARIBAS GROUPE PARIBAS GROUPE

1993 results up by 64%
Net income excluding minority interests of
FF 1,449 million (USD 245.8 million)

Compagnie Financière de Paribas' consolidated net income amounted to FF 2,780 million (USD 471.5 million), including minority interests, and to FF 1,449 million (USD 245.8 million), excluding minority interests, against respectively FF 2,214 million (USD 375.5 million) and FF 886 million (USD 150.3 million) in 1992.

1993 was marked by very strong performances in capital markets and asset and liability management activities which managed to make the most of a buoyant environment and by corporate banking activities which performed well in America and Asia but which were affected by the economic crisis in Continental Europe and particularly in France.

Results

(in million)	1993		1992		VARIATION IN %
	FF	USD*	FF	USD	
- Total revenue from operations	32,684	5,544	28,962	4,813	13
- of which:					
- net banking revenue	31,515	5,312	25,878	4,311	21
- net other revenues	1,169	232	3,084	502	(56)
- General and administrative expenses and amortisation	19,602	3,325	17,677	2,945	11
- Net income from operations	13,082	2,219	11,285	1,868	16
- Provisions for loan losses	8,778	1,489	7,645	1,274	15
- Total net income (including minority interests)	2,780	472	2,314	384	26
- Net income (excluding minority interests)	1,449	246	886	147	64

* USD 1 = FF 5.8955

Groupe Paribas' net worth and estimated net asset value

(in billion)	1993		1992	
	FF	USD	FF	USD
Total net worth	59.5	10.1	56.1	9.5
Estimated net asset value*	81.7	13.9	72.3	12.3
- excluding minority interests - per share	58.5	9.9	50.1	8.5
	643 FF	109.1 USD	582 FF	98.7 USD

* Calculated as usual without including any goodwill

BIS requirements

Tier 1		
1991	9.4%	
1992	9%	
1993	8.9%	

The 16% increase in net income from operations reflects:

- a 21% rise in net banking revenue,
- a 10% decrease in net other revenue from operations,
- a 11% increase in general and administrative expenses.

The 15% rise in allocation to loan loss provisions reflects mainly the deterioration of the European corporate sector.

The overall contribution to the real estate market remains stable and remains at 20% of total assets and provisions. Loans outstanding from the Groupe Paribas to real estate professionals amounted to FF 27.9 billion (USD 4.7 billion) unchanged since the end of 1992. Average loan coverage is now 22.4%, up from 18.5%.

Dividend unchanged at FF 12 (USD 2.04)

It will be proposed to pay to shareholders an unchanged dividend of FF 12 (USD 2.04) per share with a FF 6 (USD 1.02) tax credit. As usual, shareholders will have the choice between a dividend payment either in cash or shares.

The Annual General Meeting will take place on May 26, 1994

CS Holding lifts voting stake in CS First Boston

By Richard Waters in New York

CS Holding, the Swiss financial group whose interests include Credit Suisse, has lifted its voting stake in the investment bank CS First Boston to more than 75 per cent.

The increase, from 68.5 per cent, takes the group closer to its objective of gaining outright ownership of the investment bank, which is in the middle of a worldwide reorganisation.

However, a number of institutional investors, led by Metropolitan Life, the US insurer, has rejected an offer from CS for the remaining voting shares.

CS said yesterday that it had bought the shares previously held by five of the investment bank's 12 institutional shareholders.

The largest seller was Mitsui Trust and Banking, which had owned 1.8 per cent. Three of the others were Japanese life companies and the fifth was a European investment manager, CS said.

The purchases lift the group's interest in the investment bank's voting shares to 75.7 per cent from 68.5 per cent, and in the non-voting shares to 63.2 per cent from 59.8 per cent.

The Swiss group said that its intention generally was to own all of the shares in its subsidiaries, though it believed that it was beneficial to the employees of an investment bank to have an economic interest in their business.

Employees of CS First Boston are thought to own around 10 per cent of the company's non-voting shares.

The offer to buy out the remaining shares followed an approach from some of the institutional holders, who had expressed a desire to sell, CS said.

Metropolitan Life, which owns 1.8 per cent of the voting stock, and Crescent Diversified, an investment manager which holds 1 per cent, were among those that turned down the offer, details of which were not released.

Eli Lilly set to benefit from new heart drug

By Daniel Green

The biggest clinical trials yet conducted for Centoxin, a new heart drug to be marketed by US company Eli Lilly, show it helps up to 35 per cent of patients, according to results published today in the US and tomorrow in the UK.

US and European approval and launch of Centoxin are likely during 1995.

More than 350,000 patients a year are potential recipients of Centoxin, said Mr Robert Califf of Duke University Medical Centre, one of the authors of the two papers.

Annual sales will be up to \$150m a year, according to Dr Jonathan Gelles, an analyst with Wertheim Schroder, securities house, and further applications for the drug are being studied.

Similar products are being developed by Merck, the biggest US drugs company, Roche, of Switzerland, and Cor Therapeutics, a northern California biotechnology company, said Dr Califf.

Centoxin was developed by Centocor, a US biotechnology company in which Lilly has a near 5 per cent stake. The marketing rights to the drug reverted to Lilly when another of Centocor's drugs, the sepsis

treatment Centocor, failed to make it through clinical trials more than a year ago.

The success of the drug is important to Centocor. The failure of Centocor pulled its stock market capitalisation down to just over \$200m from \$1.2bn in August 1992. It has now recovered to \$500m.

The clinical trial results, published in today's New England Journal of Medicine and in Saturday's The Lancet, show that Centoxin improves the success rate of a common procedure called coronary angioplasty, in which a small balloon is used to widen a partially blocked artery.

Angioplasty is cheaper than either of its two main alternatives: bypass surgery and treatment with the drug TPA. TPA is the most successful product from Genentech, another biotechnology company, say doctors from the University of Texas Southwestern Medical Centre, writing in the New England Journal of Medicine today.

The clinical trials studied the effects of the drug in 2,099 patients. They indicate that the drug cut the failure rate of coronary angioplasty in high risk patients to 8 per cent from 13 per cent after 28 days and by slightly less over six months.

Creditors back America West plan

By Richard Tomkins in New York

Airlines, the last big US airline still in Chapter 11 bankruptcy protection, said it had won its creditors' agreement to an amended reorganisation plan aimed at bringing the company out of bankruptcy by early autumn.

The scheme will deliver effective control of the company to the investment group that brought Continental Airlines out of bankruptcy last year and which owns 28 per cent of Continental.

The reorganisation plan incorporates a co-operation

agreement between America West and Continental, under which the two airlines will work together in a number of operational and marketing areas - for example, sharing flight codes on the same routes and merging their frequent-flyer programmes.

Mr Bill Franke, America West's chairman, said the benefits of this alliance would be worth at least \$40m a year to America West. But he stressed that the airline would remain independent, with its separate Phoenix hub and headquarters.

The reorganisation is by a consortium called AmWest Partners. This led by

Air Partners, the investment group that brought Continental out of bankruptcy.

Of AmWest Partners' principals is Mr David Bonderman, Continental's non-executive chairman.

Other investors in AmWest Partners are Continental itself; Airlines, a regional carrier based in New Mexico; and Fidelity Investments, a specialist in bankruptcy rescues.

AmWest Partners will invest up to \$244.9m in return for a 33.5 per cent stake in America West. The unsecured creditors, who rejected an earlier plan offering them 44 per cent of the company, will now get 59.5

per cent; current shareholders will get 2 per cent.

Although this structure appears to leave AmWest Partners with a minority stake in America West, some of its shares carry more votes than the other shareholders', giving it more than 70 per cent of the

Continental Airlines, which froze employees' pay and then cut it while in Chapter 11 bankruptcy protection, said it was resuming pay increases - but also said it would cut 1,000 jobs from its workforce of 11,000 over the next few months.

Strong first quarter for Charles Schwab

By Richard Waters in New York

Charles Schwab, the San Francisco-based retail broker, has confounded gloomy predictions for stockbrokers' first-quarter profits. It indicated that its earnings per share had risen by 10 cent in the period, to 66 cents.

Schwab, which specialises in low-cost dealing services, added that the amount of share trading it handles had not fallen in recent weeks, despite the decline in US stock and bond prices, and that volumes continue to be "robust".

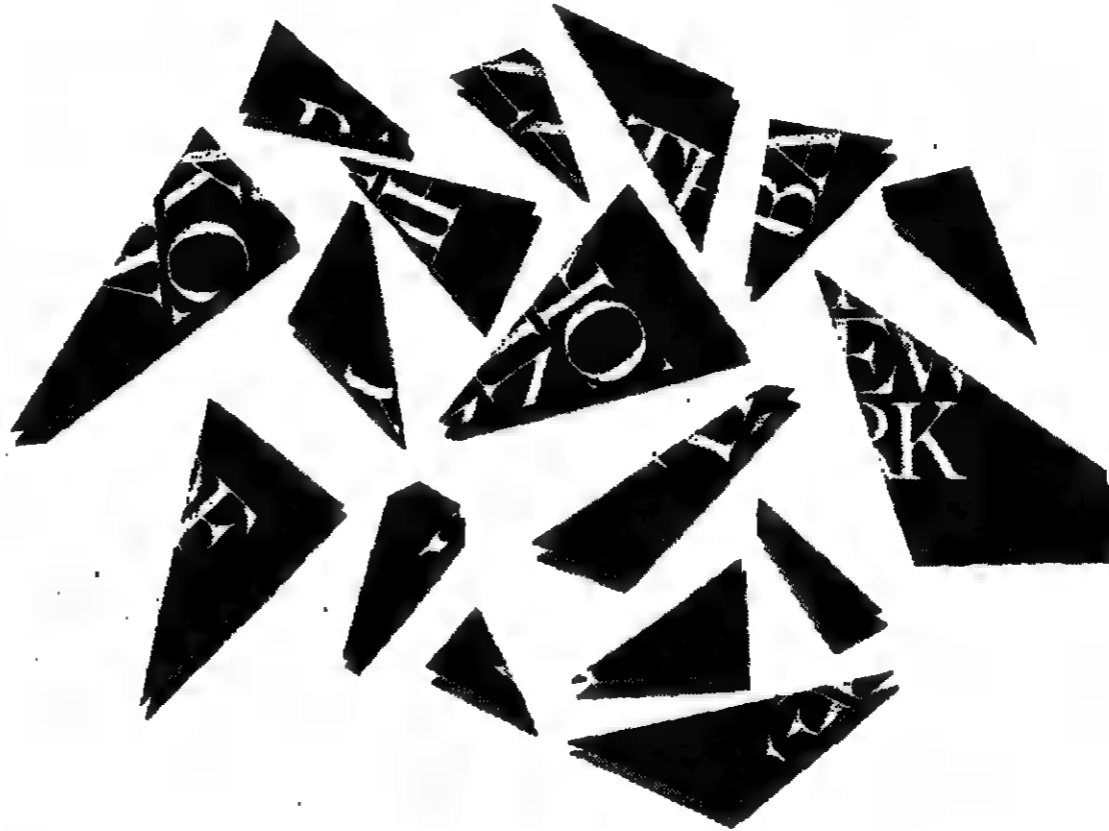
In January, Mr Charles Schwab, chairman, said that first-quarter earnings were unlikely to match the exceptionally strong first three months of 1993.

But yesterday, Schwab said full figures to be published later this month would show net income of \$39m, or 66 cents a share, against \$35.4m, or 60 cents, in the earlier period.

Schwab handled an average of 33,000 trades a day during the quarter, up from 23,700.

The company's shares jumped \$1 1/4 to \$28 on the news, before falling back \$28 by morning New York.

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WORLD LEADER IN PROCESSING AND OPERATING SERVICES.

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Corning starts year firmly

By Richard Waters

Corning, the US glass and high technology manufacturer, met market expectations in the first quarter of the year with a 12 per cent rise in underlying earnings per share.

The advance came from the optical fibre and cable business, as well as environmental substrate. This more than offset what Mr James Houghton, chairman, called "a significant loss of revenues" in its clinical testing business.

Net income rose to \$58m or

28 cents a share from \$48.5m or 26 cents 28 cents before a one-off item the year before. Sales advanced to \$949m from \$817m, with half the growth due to the acquisition of Damon in the second half of last year.

The contribution from joint venture companies doubled to \$15.5m.

It reported a strong performance from Dow Corning, the joint venture company at the centre of a global breast implant settlement which last quarter caused Corning to take a \$203m charge against profits.

Corporate Finance

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CM Cheung Kong Finance Cayman Limited

U.S. \$500,000,000

Guaranteed Step-Up Floating Rate Notes due January 2001

For the interest period 6th April, 1994 to 6th July, 1994 the Notes will carry an interest rate of 4.5375% per annum, with an interest amount of U.S. \$57.35 per U.S. \$5,000 Denomination Note and U.S. \$1,146.98 per U.S. \$100,000 Denomination Note, payable on 6th July, 1994.

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FT Surveys

According to part of the survey, the survey will be seen by over one million business readers in 150 countries worldwide.

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The survey will also be distributed at the 1994 Annual Healthcare Executive Conference USA 9-13 May.

For a copy of the editorial synopsis and information on advertising in this survey please contact:

8811 CASTLE on 071 573 3700 112 WILKINSON on 071 573 4282 Fax: 071 573 3082 or write to: Financial Times, One Southwark Bridge, London SE1 9AA.

* Survey Period: Investment Community Surveys 1994

Philips Electronics N.V.

(The Netherlands)

Notice convening the
ORDINARY GENERAL MEETING OF SHAREHOLDERS

to be held on Thursday, May 5, 1994, at 2.00 p.m., in the BEURS-
GEBOUW EINDHOVEN, LARDINOISSTRAAT 8 (at the north side of the
central railway station), EINDHOVEN.

The items on the agenda are as follows:

1. Opening.
2. Report on the activities of the Philips group in the financial year 1993.
3. Report of the Supervisory Board on the financial statements for 1993.
4. Adoption of the 1993 financial statements and the dividend.
5. Proposal to effect a legal merger between N.V. Philips' Gloeilampenfabrieken and Philips Electronics N.V.
6. Composition on the Board of Management.
7. Proposal to authorize the Board of Management for a period of 18 months to acquire shares in the Company.
8. Any other business.
9. Closing.

The complete agenda as well as the proposal to effect a legal merger between N.V. Philips' Gloeilampenfabrieken and Philips Electronics N.V. are deposited for inspection and are available at the office of the Company (Philips Finance Securities), Groenewoudseweg 1, Eindhoven and at the head offices of the banks listed below.

In so far as this is laid down in the Articles of Association, the proposals for nominations, together with information relating to the proposed merger, are deposited for inspection and are available at the office of the Company (Philips Finance Securities) and at the ABN AMRO Bank N.V., Herengracht 595, in Amsterdam.

Shareholders of Philips Electronics N.V. who wish to attend the meeting, either in person or by proxy, must notify the Company not later than April 28, 1994 before 12.00 hrs. The following regulations apply:

A. HOLDERS OF SHARE-CERTIFICATES TO BEARER:
They should deposit such certificates, not later than April 28, 1994 before 12.00 hrs, at one of the following offices in exchange for a receipt which will entitle the holder to attend the meeting.

In the Netherlands:
ABN AMRO Bank N.V. in Amsterdam, Herengracht 595 or at the office of the Company (Philips Finance Securities).

In the United Kingdom:
Hill Samuel Ltd., London.

In other countries:
at the offices designated by the Company. Further particulars can be obtained from Hill Samuel Bank Ltd., London.

B. HOLDERS OF REGISTERED SHARES:
They must notify the Company not later than April 28, 1994 before 12.00 hrs in the way indicated in the letter of transmittal sent to them by or on behalf of the Company:
- with respect to shares of the Eindhoven Registry: at the office of the Company;
- with respect to shares of the New York Registry: at the office of Citibank, N.A., Equity Department, 111 Wall Street, 10th Floor / Zone 2, New York, N.Y. 10043, U.S.A.

Requests for copies of the Philips Annual Report 1993 should be sent to Hill Samuel Bank Ltd., 40 Beach Street, EC2P 2LX, or to Philips Electronics N.V., Securities Dept., Lardinoisstraat 8, P.O. Box 218, 5200 MD Eindhoven, The Netherlands.

Eindhoven, April 7, 1994

The Board of Management



PHILIPS

INTERNATIONAL COMPANIES AND FINANCE

Judge hits at AT&T/McCaw deal

By Martin Dickson
in New York

US Federal Judge has raised objections to American Telephone & Telegraph's proposed acquisition of Baby Bells cellular communications, though he left open the door to eventual approval of the deal.

The ruling came from district judge Harold Greene, who oversaw the 1982 anti-trust legal settlement under which long-distance phone operator AT&T spun off its seven local telephone companies into separate businesses, known collectively as the "Baby Bells".

Judge Greene, who still monitors the settlement, ruled on Tuesday that AT&T's plans to buy McCaw, the largest cellular telephone service company

in the US, violated the 1982 pact, since this prevented AT&T from buying the "stock assets" of any Baby Bell company. McCaw jointly issued with Baby Bells cellular networks in several large cities.

However, Judge Greene left open the possibility that he would eventually approve the deal, saying the 1982 agreement could be modified to permit this - provided AT&T showed it was in the public interest.

Analysis said the ruling was unlikely to derail the takeover, but it could delay its completion, due over the summer.

AT&T said it would move quickly to state its case and was confident it could win a waiver and proceed with the merger on schedule.

Analysis pointed out that as a result, AT&T and McCaw could choose to sell their interests in the cellular networks which prompted this week's ruling.

Judge Greene was responding to objections to the McCaw deal raised by BellSouth, the largest of the Baby Bells, which is a partner with McCaw in some cellular licences.

BellSouth is using the case as so much as to block the McCaw deal as to argue before Judge Greene that the Baby Bells should be allowed to enter the long-distance telecommunications market, in view of changes in the communications industry over the past decade.

They were barred from this area when they were spun off from AT&T. Legislation before Congress would allow them into long-distance after a delay of several years.

Mr Joseph Nacchio, president of AT&T's consumer long distance unit, said his units, True Rewards and True USA Savings, were winning back customers at a rate which was above internal expectations, Reuter reports from New York.

Mr Nacchio told the agency that AT&T's first-quarter earnings would have favourable news from the long distance unit.

Last September, shortly after becoming president of the consumer long distance unit, Mr Nacchio said his first goal would be to stop the loss of market share.

Cummins optimistic over first quarter

Cummins, the world's leading manufacturer of diesel engines, has issued an optimistic assessment of its first-quarter performance, writes Frank McGurty in New York.

The Indiana-based company said earnings in the three months to the end of March would "meet or perhaps exceed" its results in the fourth quarter.

On an operating basis, Cummins generated a profit of \$52.6m, or \$1.42 a share, in the final reporting period of 1993.

The estimate conformed with the forecasts of most analysts. Mr Gary McManus, of Kemper Securities in Chicago, projected operating earnings of \$1.50 a share, based on sustained demand for heavy-truck engines and accelerating growth in the mid-range market.

The company added that its first-quarter revenues should reach the same level as in the final 1993 period, when it reported sales of \$1.12bn, a 10 per cent year-on-year gain.

Unions blamed as Lorenzo fails in airline bid

Mr Frank Lorenzo's ATX Corp is to appeal against a US Transportation Department decision denying it a certificate of fitness to operate an airline, Reuter reports from Washington. Mr Lorenzo blamed trade union influences for the rejection.

The department, in its rejection of ATX's bid to start up a short-haul, low-fare East Coast airline, cited Mr Lorenzo's record of safety and regulatory compliance problems.

His application was fought by airline unions, who charged him with driving two of his former carriers, Eastern Air Lines and Continental Airlines, into bankruptcy.

Mr Steve Kolicki, ATX president, said that "the decision to turn down ATX was made by the department as a political pay-off to organised labour with total disregard for the law, consumers' interests, or the rights of private investors to start their own business".

Mr Randolph Babbitt, Air Line Pilots Association president, said that "justice has been done, and the public interest has been protected".

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Learning to live with low prices

Changes are in store for the US oil industry, as Amoco chairman Larry Fuller explains to Robert Corzine and David Lascelles

The oil industry is only now getting grips with the prospect of a prolonged period of relatively low oil prices, according to Mr Larry Fuller, chairman and chief executive of Amoco, the fifth-largest US oil company.

He said that until recently US oil companies did not have to contend with the same competitive pressure in their sectors, such as consumer electronics and telecommunications, to undergo radical structural changes.

Mr Fuller, who announced a restructuring of Amoco last month, said the sector had grown accustomed to rising oil prices and had been slow to react to recent falls.

His restructuring aims to eliminate unnecessary levels of management. "I want to get less distance between the chairman and the shop floor," he said.

The new structure will make its three operating companies - production, refining and chemicals - leaner business units. A small corporate centre will be created and some services now provided by Amoco staff may be transferred to outside contractors.

Amoco looked outside the oil industry for a model, and is creating a structure similar to that of Xerox.

Mr Fuller, who was in London to brief UK employees on the plan, declined to say how many jobs would be affected, although there will be "fewer people on the payroll a year from now than there are today".



Larry Fuller: shake-up aims to scrap unnecessary management levels and 'put less distance between chairman and shop floor'

He described low oil prices as "self-correcting" and said there were signs of strengthening gasoline demand in the US.

Low prices are not only causing companies to restructure, he said, but are also likely to trigger a broader realignment in the industry.

Amoco's criteria in assessing any merger or takeover target include "opportunities for rationalisation, complementary geographic coverage, people skills and the state of the balance sheet when you've finished".

But Mr Fuller noted that "driving out duplication" as a result of mergers or takeovers can "take years".

He said additional restructuring would be needed if companies were to develop the North Sea

fields which are likely to be discovered.

Amoco is one of the larger gas producers in the UK sector of the North Sea, which he said is "somewhat less attractive" as a result of the government removing tax breaks on exploration.

Gas also figures highly in Amoco's plans worldwide. In the US, high demand has kept gas prices firm despite downward pressure on oil; the same is happening in the UK.

Mr Fuller said Amoco will focus more on selling gas directly to users and consumers. It is also keen to expand into power generation, and willing to build and operate power stations in rapidly growing markets in Asia and Mexico.

Unlike many other integrated oil companies, Amoco's

chemical operations have remained profitable - partly because of its lack of exposure to Europe, where chronic overcapacity, exacerbated by recession, has led to widespread losses.

Even so, Amoco made only \$300m on chemicals last year, compared with more than \$1bn of around \$600m. But capital spending this year of about \$230m on chemicals will focus on fast-growing markets in Asia, a move which analysts say should help boost the division's profits.

The company's upstream international strategy includes participation in a consortium of western companies negotiating with the Azerbaijan government to develop offshore reserves in the Caspian Sea.

Those talks have been partly held up by the government's indecision over whether it or the national oil company should hold the Azeri stake in the project, according to Mr Fuller.

The project is also waiting a decision on an export route for the oil. Mr Fuller believes two pipelines will be built, one through a Russian port on the Black Sea and one to the south, possibly to Turkey.

"That would make a lot of economic sense," he said, as one of the main markets for Azeri oil is likely to develop in Turkey and neighbouring countries.

Amoco is also involved in Russia, where unresolved legal and tax issues continue to hamper Western companies.

Novell appoints Frankenberg president

By Louise Kehoe
in San Francisco

Novell, the leading US computer networking software company, has appointed Mr Robert Frankenberg, a former Hewlett-Packard executive, as president and chief executive to succeed Mr Raymond Noorda, who is retiring.

The appointment puts to rest speculation about management succession at Novell. Mr Noorda, 60, had said last year that he planned to leave over the next 18 months.

Mr Frankenberg, 46, who has spent his 25-year career at Hewlett-Packard, most recently heading the company's personal computer group, is seen as a solid choice to lead Novell.

His broad experience in software, information systems and personal computing makes him well suited to the task, analysts said.

"I have worked very closely with Novell over the past four or five years, at HP," said Mr Frankenberg. "I am very excited about the merger with WordPerfect. It was pivotal in my decision to join Novell."

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Colgate in Czech venture

Colgate-Palmolive's Czech subsidiary has signed a joint-venture agreement with Czech Spojene Kartacovny to produce toothbrushes, Reuter reports from Prague.

The deal calls for 100 to 400,000 toothbrushes to be made monthly at the plant in the southern Bohemian town of Pelhřimov, under a US company's label.

The companies said Czech demand was running at 12m-15m toothbrushes yearly. The Czech plant plans to export 80 per cent of its output.

GROUPE SAINT LOUIS

1993 RESULTS
Earnings remain satisfactory in adverse conditions

The Board of Directors of Saint Louis consolidated for 1993.

(In FRF million)

	1993	1992
Turnover	34,165	35,271
Operating profit	1,554	2,780
Profit from operations	1,061	1,193
Group share of profit	687	715
Group share of profit	717	774
Dividend per share (FRF)	35	32

These figures show a performance by the Group in a still very sluggish European economy in 1993.

The limited decline in profit from operations (-49%) was attributable to the Group's papermaking activities in Europe, in a very lackluster economy. The agri-foodstuffs and papermaking activities in the United States, on the other hand, increased earnings.

The agri-foodstuffs division, lifted by further earnings growth in Générale Sucrière, by a halt in earnings in Royal Champignon, and by improved profit from operations on Ready Meals thanks to restructuring over the years.

For 1994, the excellent 1993/1994 sugar harvest, combined with rising mushroom sale prices, productivity gains and, full impact of restructuring in Ready Meals, point to further earnings growth.

Despite overcapacity in the weak demand in Europe, the paper division held up well for two main reasons:

- Arjo Wiggins Appleton's markets, which concern high value-added, sensitive to cyclical swings.

- Arjo Wiggins Appleton's geographical spread has allowed the Group to benefit from strong demand in certain markets, especially in the United States and the United Kingdom.

The quality of its merchandising network, geographical diversity of its papermills, and reputation of its brands, should enable Arjo Wiggins Appleton to take full advantage of continuing growth in the United States and first signs of recovery in Europe, in 1994.

Dividend: in 1994, the Board of Directors has decided to propose the Annual General Meeting of Shareholders to be held on June 23, 1994, a dividend of FRF 32 to 35 per share. The gross dividend per share will thus be FRF 52.50 (including FRF paid in advance).

Group profit from operations (in FRF million)

	1993	1992	% change
Agri-foodstuffs	557	557	+11%
Paper	367	367	-23%
Holding company	(154)	(154)	-
TOTAL	715	715	-4%

Group profit from operations (in FRF million)

	1993	1992	% change
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INTERNATIONAL COMPANIES AND FINANCE

Pakistan plans to offer 25% bank stake

The Pakistan government is planning to offer 25 per cent of its shareholding in the Allied Bank of Pakistan for public subscription within a few weeks, a bank said.

Allied, with an authorised capital of Rs600m (\$16.5m) and paid-up capital of Rs272m, is Pakistan's only bank owned and managed by its employees. It was privatised in September 1991. The employees' allied management group owns 51 per cent of shares and the government 49 per cent, said Mr Chaudhry, a bank director.

Mr Chaudhry said the shares would be offered at a price of Rs70 per share. He declined to give further details.

Artika Optima proposes public issue

Artika Optima, one of Indonesia's largest plywood manufacturers, said it planned to go public in June by offering 66m shares, or 30 per cent of its enlarged share capital, Reuters reports from Jakarta.

The offering is expected to raise Rp400bn to Rp500bn (\$12.7bn-\$15.9bn), making it one of the country's largest capitalised stocks.

About 30 per cent of the proceeds would be used to acquire Maluku Dinamika Semen, an affiliated cement company.

Korea Telecom bids to open on April 18

The South Korean finance ministry said its previously announced sale of a further 10 per cent stake in state-owned Korea Telecom (KT) would be made through open bidding on April 18 and 19.

The government hopes to raise about Won420bn (\$300m) through the sale as it moves towards reducing its holding in KT to 51 per cent.

Hongs prepare for climate change

Groups are searching further afield for fresh gains, writes Louise Lucas

Turning in strong profit growth last year was a Hong Kong-based conglomerate, arguably like stealing candy from a child. The colony's hongs all hold respectable bank stakes, and when demand is stripping supply, and tapped into important infrastructure projects at various stages of development.

However, with a strictly limited supply of new land - just 50 bays fought after hectic years - the developers are casting their eyes further afield, buying up plots across the border in China to create commercial and industrial units. The conglomerates are doing this by exploring new lines of business in fields such as communications, industry and aviation.

What, which has an asset base of about \$1.5bn (US\$1.5bn), is moving into cable TV and telecommunications. Hutchison is increasing its container terminal facilities and preparing for the April launch of its revamped UK telecoms business. Swire Pacific is investing in ports and bottling activities in China.

With the exception of the container terminals, none of these new projects will be completed until the end of the century, but they will have a large impact on the remaining financial state of the century.

Mr Edmund Brandt, investment analyst with Jardine Fleming, does not see Wharf's cable TV making a large contribution to profits before 2000.

In 1991, Wharf derived 75 per cent of its HK\$2.7bn profits from property. Over the next three years three new development projects adding 6m sq ft will come on line. The increased supply, twinned with rising rentals, will sustain growth over that period.

Earlier this year, Citic Pacific, the Beijing-controlled conglomerate, paid HK\$3.4bn for a 50 per cent share in Discovery Bay, a residential complex on one of Hong Kong's outlying islands. This will see its property earnings increase in the current financial year. Last year, the property portfolio was valued at HK\$5bn.

Citic is positioning itself for the changed climate with power station interests in China (a path followed by Hutchison) and remains in the acquisition trail for both property and investment/management stakes.

For Swire Pacific, where overall earnings were eroded by the fall in profits at Cathay Pacific, the picture was property driven. About half the profits came from this sector.

Swire is expected to rise to about 60 per cent this year. The group has a HK\$56.2bn portfolio of investments and is in one of the strongest positions to carry on milking the property sector.

Bucking the trend of strong property earnings last year, Jardine's Hongkong Land, its 32 per cent owned property investment arm, reported flat net earnings of US\$306.5m, compared with US\$306.5m in 1992, partially due to the loss of Trafalgar House.

Mr Nahrain, head of research at Peregrine, notes that Swire's commercial property portfolio eclipses that of Hongkong Land's. Only Hongkong Land's double the size of Swire's.

"Hongkong Land was the largest commercial property landlord on Hong Kong island. It was quite clearly being replaced by Swire Properties. On a divisional breakdown, the driving force for the past couple of years and looking forward will certainly be Swire Properties. They have acquired what is arguably the best property investment portfolio in Hong Kong, and that will grow by a further 60 per cent - at least - in the next five years," Mr Nahrain says.

Swire is addressing the supply constraints on land in a more conservative manner. There is no flashy bidding at auctions, but preferred for many. It is not calling on the Hong Kong and Chinese governments to free up more land, but rather chairman Mr Li Ka-shing. Unlike Jardine, it is not selling out in favour of foreign firms.

Swire Properties will add almost HK\$4bn to its net asset value by transforming a bowling alley and cinema, owned by the group, into an office building, simply for the construction cost. It has acquired with the likes of Citic and China Motor Bus to acquire plots at prices deemed to be on the low side.

The group has a good prospect in the Tai Koo development on Hong Kong island. Office space here is at a premium. In the prime business district of central, but the area is well served by public transport and is closer to the airport. An increasing number of companies are relocating staff there, including some of the colony's largest employers such as Jardine Pacific, Hongkong Telecom and Swire.

On top of demand, there is room for further growth upwards. Mr Nahrain reached another 80 per cent within reach over 18 months, whereas it is unlikely that prime Exchange Square will rise to the same level of HK\$180 a sq ft.

Aviation, possibly the next link after the profits fall at Cathay Pacific, has proved a mixed blessing. Dragon Air, the regional airline in which both Citic and Cathay Pacific have stakes, is reckoned to have grown more than 80 per cent last year, according to Peregrine. Earnings at Hongkong Aircraft Engineering Company rose 15 per cent last year. As Cathay turns round, so aviation contributions will swell.

The exciting prospect ahead will be in the fields of infrastructure and communications. Container terminals will become more valuable to companies which have invested in the ports, and are expected to be the driving force in Hutchison's earnings.

In communications, Citic will add HK\$250m in earnings from its full-year holding, according to Crosby Securities.

China will continue to play an important role for the hongs, possibly to a lesser extent than in the past. According to Peregrine, the princely hong that started the Hong Kong ballgame rolling last year was a seller of HK\$7.4bn-worth of Hong Kong and Chinese assets.

It may be churlishness of the de-listing that year that Jardine is generally deemed to have done the least in terms of a strategic blueprint to take it up in the turn of the century. Jardine's last turn in 1993 was Jardine Fleming, the Hong Kong merchant banking joint venture with Jardine Fleming, which saw its profits leap 100 per cent in 1993.

However, any stock market downturn will hit Jardine Fleming. Analysts also fear the parent will find it tougher to do business in China following the de-listing.

Foodland Associated, the Australian grocery group, is holding its interim dividend at 13 cents a share in spite of extraordinary charges which sent it into the red for the seven months to January.

Its earnings rose marginally to A\$18.5m (US\$13.4m) from A\$16.1m, including a A\$2.5m extraordinary loss over the company A\$12.5m into the red for the period.

Colonial Mutual Life soars to AS\$701.3m

By Bruce Jacques in Sydney

Colonial Mutual Life Assurance, the Australian financial services group, has raised the likelihood of demutualising following a strong result in 1993.

The group announced a 260 per cent jump in net income to A\$194.5m (US\$90.1m) from A\$194.5m and a 31 per cent increase in assets to A\$2.13bn from A\$1.6bn.

Mr Peter Smedley, managing director, said the improved performance was helped by last year's bull share market, a restructuring of the business, and a focus on asset reduction, cutting expenses by more than 10 per cent.

Mr Smedley said the group had appointed an internal review team to examine future capital needs, advised by S. G. Warburg.

He said the review would examine growth options, including changing the group's mutual structure through which it is owned by policyholders.

Mr Smedley indicated that the group was unlikely to remain a mutual, raising the possibility of a capital raising and the introduction of conventional equity.

Foodland in red but holds payout

By Bruce Jacques

Foodland Associated, the Australian grocery group, is holding its interim dividend at 13 cents a share in spite of extraordinary charges which sent it into the red for the seven months to January.

Its earnings rose marginally to A\$18.5m (US\$13.4m) from A\$16.1m, including a A\$2.5m extraordinary loss over the company A\$12.5m into the red for the period.

Hong Kong conglomerates' results					
	1993 net profits HK\$ bn	Earnings per share	1992 net profits HK\$ bn	Change	Earnings per share
Hutchison	8.3	\$1.79	3.05	107.0	\$0.98
Jardine Matheson	US\$0.389	US\$0.651	US\$0.317	23.0	US\$0.648
Swire	4.6	\$2.84	4.4	5.4	\$2.78
Wharf	2.7	\$1.273	2.0	35.0	\$0.978
Citic Pacific	1.9	\$1.082	1.0	81.1	\$0.874

Source: Company reports

Notice of Extension of Maturity

Commonwealth Bank Australia

Commonwealth Bank of Australia ACN 123 123 124
(successor in law to the State Bank of Victoria)

U.S. \$125,000,000

10-Year Extendible Floating Rate Capital Notes

NOTICE IS HEREBY GIVEN to the holders of the U.S. \$125,000,000 10-Year Extendible Floating Rate Capital Notes (the "Notes") of Commonwealth Bank of Australia (the "Bank") that the Bank has elected to exercise its option, pursuant to Condition 4(b) of the Notes, to offer to all holders of the Notes the option to extend the maturity of the Notes (an "Extension Option"). Terms used in this Notice shall have the meaning contained in the Conditions of the Notes.

The Extension Option, if exercised, shall become effective on the Interest Payment Date falling in June 1994, (which will be 29th June, 1994), and shall extend the maturity of the Notes, in respect of which the Extension Option is exercised, to the Interest Payment Date falling in June 2004.

The Extension Option can be exercised by any Noteholder notifying the Bank or Codel no later than close of business on 29th April, 1994. Any such notice (the "Extension Notice") shall be given in the form from time to time available from the Bank or Codel, specifying, inter alia, the principal amount of Notes in respect of which the Extension Option is being exercised. Once an Extension Notice has been received by the Bank or Codel, it shall not be revoked with the consent in writing of the Bank.

Pursuant to Condition 4(b) (ii), Noteholders who exercise their Extension Option will not be entitled to an Additional Amount in respect of Notes held by them and, accordingly, the Notes will continue to pay a coupon of LIBOR plus 0.05 per cent.

The Bank does not presently intend to exercise its right under Condition 4(b) to redeem any Notes in respect of which the Extension Option is not exercised. Accordingly, the Bank expects that such Notes will remain outstanding until their maturity date.

Bankers and Codel can be contacted as follows:

Bankers:
Tel: (32-2) 224 1211
Telex: 61025
Facsimile: (32-2) 224 1344

Codel:
Tel: (352) 449921
Telex: 2791
Facsimile: (352) 4499 2810

Dated 7th April, 1994
Commonwealth Bank of Australia

FINANCIAL TIMES

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FINANCIAL TIMES NEWSLETTERS

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Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aktiebolaget SKF will be held at SKF Kristinehamn, Byfogdgatan 4, Göteborg, Sweden, at 3.30 p.m. on Thursday April 28, 1994.

Annual General Meeting

Notice of Attendance

The right to participate in the meeting, which must be recorded in the register kept by the Registrar Centre (VPC AB) by Monday April 18, 1994, must notify the Company in writing, or by telephone, or by mail, to Aktiebolaget SKF, S-415 50 Göteborg, Sweden. Tel: +46-31-37 51 52, giving details of name, address, telephone and registered shareholding.

Who representation is made by proxy, the proxy form must be sent before the date of the meeting. Shareholders are registered in the name of a company through the Trustee Department, who must be registered temporarily in their own name in order to participate in the meeting. Re-registration must take place by Monday April 18, 1994. This means that the shareholders must give notice of his or her intention to attend in plenty of time before the date.

Agenda

- Financial statements**
Matters which according to the Swedish Companies Act and Articles of Association are to be considered at a general meeting, including presentation of the annual financial report and reports from the auditors as well as balance sheets and Group income statements and balance sheets, and the responsibility of the Board of Directors and managing directors regarding profits in accordance with the approved balance sheets, as well as the activities of the members and the Board.
- Public company**
At the Annual General Meeting, the draft resolution by the Board of Directors - under the conditions contained in the governmental proposals regarding public companies will be passed without any substantial alteration - shall become a public company will be discussed, as well as the Directors' recommendations regarding decisions to be taken in the Company Articles pursuant to this decision.
- Changes of association**
Furthermore, the Annual General Meeting will consider the draft resolution concerning the Company Articles whereby (i) the activity of the Company shall include work that is not yet started (S 2), (ii) the maximum number of A shares and B shares shall be increased to 432,000,000 (S 6) and (iii) the number of auditors and deputy auditors to be appointed at an ordinary general meeting shall be one to two auditors and a maximum of two deputy auditors (S 10).
- Re-election of Board Members**
Shareholders, who represent just over 60% of the number of votes for the total shares of the Company, have communicated to the Company that they recommend that the Annual General Meeting shall re-elect the Board of Directors.
- Other matters**
The Board of Directors proposes that no dividend be paid based on the financial year 1993.
Proxy forms are available from:
AB SKF, S-415 50 Göteborg, Sweden.
Tel: +46-31-37 26 52 & 37 10 00.
Göteborg, April 1994.

The Board of Directors

SKF

All of these securities having been sold, this announcement appears as a matter of record only.

March 1994

3,000,000 Shares

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Your Pet's Second Friend

Common Stock

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PaineWebber International

CS First Boston

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2,400,000 Shares

PaineWebber Incorporated

CS First Boston

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A.G. Edwards & Sons, Inc. **Hambrecht & Quist** **Lazard Frères & Co.**

Lehman Brothers **Montgomery Securities**

Morgan Stanley & Co. **Prudential Securities Incorporated**

Robertson, Stephens & Company **Smith Barney Shearson Inc.**

Wasserstein Perella Securities, Inc. **Wertheim Securities & Co.**

Advest, Inc. **William Blair & Company** **Dain Bosworth**

Kemper Securities, Inc. **Ladenburg, Thalmann & Co. Inc.** **McDonald & Company**

Needham & Company, Inc. **The Principal/Eppler, Guerin & Turner, Inc.**

Rauscher Pierce Refsnes, Inc. **The Robinson-Humphrey Company, Inc.**

Sutro & Co. Incorporated **Wessels, Arnold & Henderson**

Crowell, Weedon & Co. **Gordon, Haskett Capital Corporation**

C.I. King & Associates, Inc. **Pacific Growth Equities, Inc.**

Pennsylvania Merchant Group Ltd **Rodman & Renshaw, Inc.** **Roney & Co.**

The Scidler Companies **Wedbush Morgan Securities**

This tranche was offered in the United States.

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Treasuries resume downwards drift after uneasy start

By Frank McCarty in New York and Antonia Sharpe in London

Treasury bonds yesterday resumed some of their gains in Tuesday's powerful rally, with many traders unconvinced that the market had reached a turning point.

By midday, the benchmark 30-year government bond was 1/8 lower at 87 1/2, with the yield rising to 7.313 per cent. At the close, the two-year note was 1/8 better at 99 1/2, to yield 6.61 per cent.

An uneasy calm descended on the session. Bonds showed modest gains in early activity, as investors followed through on the previous day's buying. But as the day progressed, higher and pushed Treasury yields to a fortnight of selling.

By mid-morning, the market had adjusted to the

turbulent ride it had experienced in the wake of the early activity. The market had taken a toll, and the longer end of the maturity range slipped into negative territory.

The downward drift was particularly explained by reaction to a report in the Washington Post that the Federal Reserve would wait until the financial markets stabilised before raising interest rates for a third time. The news may have prompted a lack of determination by the Fed in fighting inflation, which has the greatest negative impact on the long bond.

The day's only economic news - March sales figures from US motor vehicle makers - was not due until later in the day.

UK gilts opened firmer yesterday, encouraged by the overnight gains in US Treasuries. The release yesterday of

stronger-than-expected money supply data for March, which indicated that retail sales were healthy last month, did not have a great influence on the market.

The February data showed that UK institutions were net sellers of gilts for the second month running to the tune of £339bn but that overseas investors made net purchases of £1.5bn, the highest monthly figure since August.

In addition, the figures indicated that the Bank of England gave only limited support to the gilts market in February, with unofficial purchases of up to £250m.

German bunds failed to make significant gains after the Bundesbank cut its repo rate by three basis points to 5.75 per cent, in line with market expectations, since the cut was effectively neutralised by

an unexpected net drain of DM1.5bn from the banking system.

The market had expected the Bundesbank to add a net DM2bn to DM4bn, so the net drain pushed call money to around 5.50 per cent.

The June contract of the Bund future on Life traded between a high of 97.38 and a low of 96.96 during the day and in the late afternoon it was quoted at 96.97, up 0.13 point on the day.

Italian government bonds remained volatile yesterday following the announcement late on Tuesday that Mr Silvio Berlusconi had suspended

the 10-year French government bond future on the Matif came off the day's best level of 123.92 to trade at 123.78 in the late afternoon, down 0.12 point on the day.

The June contract of the Italian government bond future on Life traded between a high of 113 and a low of 111.96 during the day. By the late afternoon, it stood at 112.20, down 0.65 point on the day.

French government bonds ended off the day's highs ahead of today's auction of OATs. The Treasury said it will sell between FF7.18bn and FF7.42bn in April.

The Bank of France's monetary policy council also met today, but no decision was taken on whether to cut the 3-month intervention rate was unlikely.

The June contract of the national 10-year French government bond future on the Matif came off the day's best level of 123.92 to trade at 123.78 in the late afternoon, down 0.12 point on the day.

Futures markets hit peak trading levels

By Tracy Corrigan in London and Laurie Morse in Chicago

Continued volatility in the financial markets ensured another month of heavy trading volume on the world's futures exchanges. The total volume of contracts traded on Life in the first quarter of 1994 grew 115 per cent compared with the first quarter of last year, while volume on the Matif increased by 88 per cent.

In Chicago, the US's two largest futures exchanges had their best month ever during March, with the Chicago Board of Trade (CBOT) trading 22.5m contracts and the Chicago Mercantile Exchange (CME) 22.2m.

The CME this year has begun counting expiring options, options exercises and mutual offset trades with Singapore as volume, inflating its turnover data. In the first quarter, the CBOT's volume

was 57.9m contracts, up 88.8m from the first quarter of 1993. The CME's first-quarter volume was 54.7m contracts. Due to its new counting methods, accurate year-on-year comparisons for the CME are not available.

The Matif, the Paris futures exchange, recorded its highest monthly volume in March, for the second month in a row; it traded 11.8m contracts, 90 per cent up on March 1993, and 10 per cent up on February 1994. The Nikkei (French government bond) contract traded almost 7m contracts, up 96 per cent on March 1993.

At the end of its first year as a member of Globex, the after-hours electronic futures dealing system, the Matif has accounted for 78 per cent of the total volume.

Life had its second busiest month to date, trading 17m contracts in March, a 104 per cent increase over March 1993.

Finland surprises with FRN

By Sara Webb

The international bond market was back in life with the launch of a handful of large issues in a range of currencies yesterday.

However, in spite of the apparent resurgence in market activity, syndicate officials complained that investors generally were more keen to buy new issues than to sell existing ones.

The Republic of Finland was the trend for floating rate notes, tapping the market with a \$1.5bn, five-year floating rate note.

The bonds will have a three-month LIBOR, and will be priced at 99.68 to give a yield of 6.50 per cent. The three-month LIBOR, however, was at 6.25 per cent, although the actual

level has not been set yet. The issue was launched by surprise, and the issue was seen by some syndicate officials as being quite aggressively priced - particularly in view of the fact that the borrower is not considered to be in the best of credit.

INTERNATIONAL BONDS

It is an upgrade of the immediate future.

"It [the pricing] was a little more aggressive by a couple of basis points," said one floating rate note specialist.

Goldman Sachs, the lead manager, said the healthy demand for the issue from investors in Asia, including central banks and government agencies, was a surprise. The bonds are due to be syndicated today.

once again lured a couple of investors into the Euro area, with the Kingdom of the Netherlands increasing its issue from £1.5bn to £1.2bn due to strong demand.

Irish issue is structured in a similar fashion to the Dutch issue, with the bonds having a 10-year maturity but a call option at five years.

BCI, the lead manager, quoted a yield-to-redemption of 9.33 per cent, and a yield based on a three-year maturity of 8.5 per cent, using a call option price of 101.5.

It said that demand was mainly from Italian domestic institutions.

Elsewhere in Europe, borrowers tapped the French franc and D-Mark with fairly substantial issues. The bonds are due to be syndicated today.

NEW INTERNATIONAL BOND ISSUES									
Borrower	US Dollars	Coupon	Price	Maturity	Yield	Spread	Book runner		
D-MARK	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		
FRANCE	100m	6.00	101.50	10/94	9.33	0.15%	Goldman Sachs Int.		

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon	Red	Price	Day's	High	Low	Open	Close
Australia	8.00	100.50	+1.40	8.00	7.75	7.75	7.75
Belgium	10.00	100.50	+1.40	8.00	7.75	7.75	7.75
Canada	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
Denmark	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
France	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
Germany	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
Italy	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
Japan	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
Netherlands	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
Spain	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
UK	6.00	100.50	+1.40	8.00	7.75	7.75	7.75
US Treasury	6.00	100.50	+1.40	8.00	7.75	7.75	7.75

US INTEREST RATES

Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
One month	6.25	Two year	7.75	Three month	6.25	Five year	7.75
Three month	6.25	Five year	7.75	Five year	7.75	Ten year	7.75
Five year	7.75	Ten year	7.75	Ten year	7.75	30 year	7.75

ITALY

NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES

Strike	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	111.50	111.50	-0.50	112.00	111.00	20,000	111.50
Sep	111.50	111.50	-0.50	112.00	111.00	20,000	111.50

ITALY

ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LIFE) 100,000 100% of 100%

Strike	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	111.50	111.50	-0.50	112.00	111.00	20,000	111.50
Sep	111.50	111.50	-0.50	112.00	111.00	20,000	111.50

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices

2	years	180.13	
3	15 (2)	180.09	
4	Irredeemables (2)	180.09	
5	(32)	180.09	

Index-linked			
6	Up to 5 years (2)	184.87	
7	Over 5 years (11)	180.79	
8	All stocks (13)	180.79	

Debentures and Loans			
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COMPANY NEWS: UK

City Centre up 15% as customers increase

By David Blackwell

An increase in customers helped City Centre Restaurants, which owns the Deep Pan Pizza and Garfunkels chains, lift profits for 1993 by almost 15 per cent.

The pre-tax line rose from £11m to £12.8m on the back of a 6 per cent increase in turnover to £85.2m (£80.8m).

Mr Bruce Johnston, chairman, said that covers had risen by 5 per cent in the final quarter, with the week between Christmas and the new year particularly strong. However, the average spend per customer remained flat.

London had been buoyant in the first part of this year, he said. More than 40 per cent of the group's 155 restaurants are within the M25 motorway.

Mr Johnston said he hoped that this week's tax increases would not dampen the improvement once people opened their pay packets at the end of the month.

The group opened eight new branches during the year, and now has 98 Deep Pan Pizza restaurants and 47 Garfunkels. It is planning to open at least 10 more this year.

The main focus would continue to be the pizza chain, where the average spend is £5 a head. Outlets were now being sought at out-of-town cinema and leisure complexes where people could park without being clamped, Mr Johnston said.

In order to benefit from the growing consumer interest in ethnic foods, the group is aiming to increase its

openings at its 10-strong chain of Chiquito Mexican restaurants. It is also planning further acquisitions, including the pasta chain after successfully converting two of its outlets last year.

Capital expenditure for 1994 is £8.2m. The group said the year with net cash up from £11.2m to £14m; net assets were £19.7m (£17.7m).

Earnings per share rose from 3.99p to 4.50p. A final dividend of 1.33p is proposed, lifting the total for the year from 1.57p to 1.76p.

Mr Phillip Kaye, the founder of the group who retired as chief executive last October, is retiring as an executive director on June 30, but will continue as a non-executive director.

£21m Swedish purchase for Siebe

By Simon Davies

Siebe, the international industrial and engineering group, is to become Europe's leading control valve producer following the acquisition for £21m of Sweden's MAF Group.

Mr Albert Yurko, Siebe's chief executive, described the acquisition as a "perfect fit" from a geographical, product, and market point of view.

MAF makes industrial control valves, actuators and positioners, and is particularly strong in the pulp and paper industry, where Siebe has limited exposure. It also sells to the energy sector.

The company is debt free and has been consistently profitable. It has a 25 per cent market share in the Nordic countries, where Siebe has yet to develop a presence.

About 80 per cent of MAF's sales are in Scandinavia, and Mr Yurko said: "One of the key strategies here is to add the full range of Foxboro Eckardt products into the Scandinavian market."

Siebe invested some £110m last year in expanding its controls division through the acquisition of three new companies, Control, Dwyer and Rotamatic.

Analysts expect similar

Indications would put companies in Mid 250 index

Rothmans, Vendôme to join indices

By Maggie Urry

Rothmans and Vendôme Luxury Group will be included in UK stock market indices next year under a rule approved yesterday by the FT-SE Actuaries Share Indices Committee.

Shares in the two companies, formed last October through the reorganisation of the tobacco and luxury goods empire, had initially been excluded from the FT-SE indices, although Dunhill, their former incarnation, had been

included. On current indications Rothmans would be included in the Mid 250 index, while Vendôme could be on the borderline of the Mid 100.

The two groups each have a complex corporate structure, with the UK company and one foreign company share traded in "stapled units".

Only the UK company share is eligible to be included in the UK indices, and the problem lies in determining the proportion of the stapled

units accounted for by the eligible company.

The companies' weightings in the indices will be based on the percentage of the total assets which the eligible company is entitled to, calculated from the audited accounts.

Mr Rothmans and Vendôme have an appeal to have their shares included last December, a working party was set up to look at the question of the treatment of such complex border structures

in the indices.

An adviser to the companies, who were involved in pressing for their inclusion, said yesterday of the committee's decision that he was "happy they have changed their thinking."

However, he thought there could still be subjectivity in the value given to the companies in indices if they had significant intangible assets.

Under the new rule, Rothmans and Vendôme units will remain in the indices.

New FT-SE index rule on stapled units

The following announcement was made yesterday by the FT-SE Actuaries Share Indices Steering Committee.

The Committee has today approved a new rule governing the treatment of stapled units.

The effect of the new rule is that companies whose shares are traded in "stapled units" will be eligible for inclusion in the FT-SE indices at the end of 1994.

The weighting of the 38 UK companies in the indices will be based on information provided by the company, remain unchanged, although subject to annual review following the publication of the company's

audited accounts beginning in 1995.

The weighting of Rothmans and Vendôme will be determined by the UK Indices Committee in December this year after the publication of the audited accounts of the two companies and reviewed annually thereafter.

Stapled units are shares which are issued under the same rule, they represent approximately 50 per cent of the total value of the company's shares and approximately 10 per cent of the market value of the company's shares. These proportions may change when the audited

accounts of the two groups are published.

A stapled unit is a unit which represents shares in two separate companies (often of different nationalities) which are twinned in the form of a single share which has the same trading and voting rights as the underlying shares.

A share which is stapled to the shares of another company is weighted to account for the company's relative importance in the index. In the FT-SE indices, the weighting factor is based on a company's issued equity share capital. The position posed by multi-

national stapled units, for a UK index, is determining how much of the combined unit's capitalisation is attributable to the UK company. When this is done, the required weighting can be calculated.

The new rule provides a way of arriving at this weighting. The weighting of a UK company, traded as part of a stapled unit, will be based on the equity share capital which matches the attributable share and dividend.

Otherwise, the economic value of the UK company, incorporated and tax resident company will be assessed by comparing the asset values of the eligible and ineligible companies within the unit.

Standard Life blames KPMG Canadian unit

By Alison Smith

Standard Life, the UK's largest mutual insurer, has confirmed that KPMG Peat Marwick has lost the job of auditing its accounts because of the policy pursued by partners in KPMG Peat Marwick Thorne, the UK accountancy firm's Canadian partnership, over a property transaction.

The dispute has thus broken a relationship going back in one form or another to the early 1960s, and generating more than £1m in fees for the auditors last year.

In Standard Life's annual report, Mr Scott Bell, group managing director, said that Price Waterhouse would be proposed as the new auditors.

Merrydown cuts workforce by 15%

By Tony Jackson

Merrydown, the specialist cigarette maker, is to reduce its workforce by 15 per cent at an estimated cost of £300,000. It has also appointed a new finance director, Mr Stephen Burke, formerly acquisitions manager with Dunhill, the tobacco and luxury goods company.

The announcement follows a profits warning in February and the departure of Mr Michael O'Riordan, finance director, in March.

Mr Richard Purday, chairman, said 30 of Merrydown's 195 employees had been made redundant. The sales force has been cut from 25 to 14, with the regional sales network being

concentrated on key accounts and as supermarkets.

The company's cost savings were expected to amount to more than £1m. In the year to March 1993, pre-tax profits were down to £1.7m (£1.9m).

Merrydown's shares were unchanged yesterday at 140p, compared with a peak of 150p in October last.

See Lex

Hogg confirms bid approaches

By Richard Lapper

Hogg Group, the medium-sized insurance broker, confirmed yesterday that it had received preliminary approaches from a number of parties which may or may not lead to an offer.

HSBC Holdings last week announced the acquisition of a 6 per cent stake - worth about £2m - in Hogg Group, prompting speculation in the City that

a takeover bid was in the offing.

Mr Anthony Hogg, chairman and chief executive of Hogg, said HSBC had shown interest in the past but that no formal approach had been made recently.

Yesterday's announcement prompted further upward speculation in Hogg's shares, which closed at 23p at 11p.

ABF in talks for sale of retail side

By Maggie Urry

Associated British Foods yesterday confirmed that it was in talks about the possible sale of its retail outlets in Greggs, the chain of bakers.

AB Foods said a further announcement would be made "within the next few weeks". Meanwhile no other details would be released.

One analyst said the sale could raise between £18m and £20m for AB Foods, but it was hard to estimate as there was little information about

the portfolio of shops. While the deal would be a small one for AB Foods, it could double the size of Greggs.

AB Foods shares rose 6p yesterday to 68p, after a 18p rise on Tuesday when the deal was widely rumoured. Greggs were unchanged at 74p.

Greggs, which is based in Newcastle upon Tyne, has 500 shops, while AB Foods' chain totals 455 shops, mostly trading under the Baker's Oven name and concentrated in the south-east.

Telegraph pays directors £2.72m

By Maggie Urry

Directors of The Telegraph newspaper group received total emoluments of £2.72m in 1993, up from £1.51m the previous year.

A large part of the increase represented a one-off £480,000 payment to Mr Daniel Colson for his work in connection with the group's investment in the British Holdings, the Australian newspaper group, which he is chief executive.

That leaves Mr Colson the highest paid director in 1993, receiving £1,000,000. Mr Daniel Black, chairman of The Telegraph, received an increase from £148,000 in 1992 to £287,000. In addition, The Telegraph pays two thirds of the cost of Mr Black's office at Hollinger, The Telegraph's parent, and Mr Hollinger for other services, such as advice on acquisitions. These costs totalled £1,04m (£813,000).

During 1993, The Telegraph and Hollinger combined to take a 18.7 per cent stake in Southern, the Channel newspaper publisher.

DIVIDENDS ANNOUNCED					
Company	Current payment	Date of payment	Current dividend	Total for year	Total for year
City Centre	1.25	June 8	1.12	1.78	1.57
City Centre	1.25	June 8	1.12	1.78	1.57
Irish Life	6.125	May 17	6.04	9.12	6.44
Kingspan	1.55	June 29	1.2	2.5	-
Manchester Utd	6.5	May 17	6	-	19.5
Pittard	1.5	May 15	1.5	1	2

Dividends shown where company has not accepted return otherwise stated. (on increased capital, 1993 prices)

BLUE CIRCLE INDUSTRIES CAPITAL LIMITED
(Incorporated in Jersey with limited liability, Registered no. 47664)

£90,000,000
10.5 per cent Convertible Capital Bonds 2005
(the "Bonds")
guaranteed on a subordinated basis by
BLUE CIRCLE INDUSTRIES PLC
(Incorporated in England with limited liability under the Companies Act 1985 to which it is registered no. 00000000)

and convertible into 2 per cent Exchangeable Redeemable Preference Shares in the issuer.
(("Preference Shares"))

REQUIRED REDEMPTION NOTICE

Notice is hereby given to holders of the Bonds (the "Bondholders") that pursuant to Condition 5 of the Bonds the issuer has determined to convert all of the Bonds into Preference Shares which Preference Shares shall then be redeemed forthwith upon their allotment.

Each outstanding Bond will be converted on 21st June, 1994 (the "Required Redemption Date") into one Preference Share. Interest will be paid on the Bonds in respect of the period from and including 21st December, 1993 to but excluding the Required Redemption Date and will cease to accrue on any outstanding unconverted Bonds on the Required Redemption Date. The Preference Shares will be redeemed on the Required Redemption Date at their Full-up Value of £1,000 each. No supplemental interest is payable on Bonds converted on the Required Redemption Date.

Payments of principal and accrued interest will be made, in accordance with the Conditions of the Bonds, against surrender of the Bonds at the specified office of any of the Paying and Conversion Agents listed below.

Each Bond should be presented for conversion together with all unremitted Coupons appertaining thereto, failing which the amount of any such missing unremitted Coupons will be deducted from the sum due for payment on the Required Redemption Date. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time prior to the expiry of 6 years from the due date for payment of such Coupon. Unconverted Bonds will become void unless presented for payment within the period of 12 years from the Required Redemption Date.

Bondholders are reminded that notwithstanding the foregoing they will remain entitled to exercise their rights to convert the Bonds and exchange the resulting Preference Shares for Ordinary Shares of 50p each in Blue Circle Industries PLC at the Exchange Price of 250 pence per Ordinary Share at any time up to and including 14th June, 1994. Such rights may be exercised by Bondholders delivering to the specified office of any Paying and Conversion Agent listed below the relevant Bonds (together with all unremitted Coupons appertaining thereto) accompanied by duly completed and signed notices of conversion and exchange in accordance with Condition 4(c) of the Bonds and otherwise in accordance with the Conditions of the Bonds.

Principal Paying and Conversion Agent:
The Chase Manhattan Bank, N.A.
House,
Coleman Street,
London EC2P 2HD.

Paying and Conversion Agents:
Banque Bruxelles Lambert S.A.
24 Avenue Marnix,
B-1050 Brussels.
Chase Manhattan Bank (Switzerland)
Section Rue du Rhône,
CH-1204 Geneva.

Issued by Citicorp & Co., a member of Citicorp Group of Companies.
(Blue Circle Industries Capital Limited 27th April, 1994)

Siderca S.A.C.
(INCORPORATED IN ARGENTINA)
10% NEGOTIABLE OBLIGATIONS - CLASS 1991

Notice is hereby given of the payment on May 9, 1994 of the fourth instalment of principal and the 8th payment of interest on the 10% Negotiable Obligations - Class 1991.

The payment of the principal instalment will be equal to 10.11% of the face value of the Negotiable Obligations.

For the 162 day (360 day basis) Interest Period from November 8, 1993 to May 9, 1994 interest will be payable in US Dollars per \$1,000 denomination, \$53.75 per \$1,000 denomination, and per \$100 denomination, \$5.375.

The corresponding payments of principal and interest shall be effected upon presentation of Coupon No. 5, as of May 9, 1994, to the respective Paying Agents as follows:

The Bank of New York
46 Broadway Street
London W1X 4AA, England
Between 9:30 a.m. and 4:00 p.m.
Rio de Janeiro
Banque Bruxelles Lambert
Ave. Marnix 24
B-1050 Brussels, Belgium
Between 9:30 a.m. and 4:00 p.m.
(Payments in Buenos Aires require five Business Days prior Coupon presentation.)

Kreditbank S.A., Luxembourg
43 Blvd. Royal - L-1255 Luxembourg
Grand Duché de Luxembourg
Between 9:30 a.m. and 4:00 p.m.
Mitre 480 - 4th
Buenos Aires, Argentina
Between 9:30 a.m. and 3:00 p.m.
(Payments in Buenos Aires require five Business Days prior Coupon presentation.)

The Bank of New York
as Fiscal Agent

April 7, 1994

U.S. \$100,000,000
SBAB
Statens Bostadsfinansieringsaktiebolag, SBAB
(Incorporated with limited liability in the Kingdom of Sweden)
Subordinated Floating Rate Notes due October 2002

Notice is hereby given that for the six months interest period from April 7, 1994 to October 7, 1994 the Notes will carry an interest rate of 5.25% per annum. The interest payable on the relevant interest payment date, October 7, 1994 will be U.S. \$193.44 and U.S. \$2,066.75 respectively for Notes in denominations of U.S. \$5,000 and U.S. \$100,000.

By: The **Chase Manhattan Bank, N.A.**
London, Agent Bank

April 7, 1994

Carrefour

SALES, TAXES INCLUDED AS OF MARCH 31, 1994

	March 1994	%	March 94	%
(in FF millions)	March 94	March 94	March 94	March 94
GROUP SALES	22,122	79	34,057	68
FRANCE	7,692	1.2	21,825	2.1

Three new stores have been opened in March:
Tian Yuan (Taipei, 130,000 square feet), in Sierra (Cordoba, 108,000 square feet) and Sao Caetano do Sul (Sao Paulo, 118,000 square feet).

PUERTOS MEXICANOS

THE NATIONAL PORT ADMINISTRATOR OF MEXICO

IS PLEASED TO ANNOUNCE
THE PRIVATIZATION (SALE) OF
DREDGING EQUIPMENT
(SECOND STAGE)

IN AN INTERNATIONAL PUBLIC BIDDING,
FURTHER INFORMATION ON THIS BIDDING
CAN BE REQUESTED BY CONTACTING:

LIC. RAUL SOLIS
MANAGING DIRECTOR
ING. ALEJANDRO PARDO
MERGERS AND ACQUISITIONS DIRECTOR
INSERF, S.A. DE C.V.

FROM MARCH 22nd TO APRIL 15th, 1994

INSERF
INSTRUMENTOS EN SERVICIO FINANCIERO

Paseo de la Reforma No. 383, Floor 15th
Col. Cuauhtémoc
06500, México, D.F.
(5) 298-0095 and (5) 298-1121
Fax: 5174, 1129

£25,000,000
C&G Cheltenham & Gloucester Building Society
Floating Rate Subordinated Notes due 2004

Notice is hereby given that for the six months interest period from April 5, 1994 to October 3, 1994 (181 days) the Notes will carry an interest rate of 5.925%. The interest payable on the relevant interest payment date October 3, 1994 will be £2,887.74 per £100,000 denomination.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

April 7, 1994

£25,000,000
C&G Cheltenham & Gloucester Building Society
Floating Rate Subordinated Notes due 2005

Notice is hereby given that for the six months interest period from April 5, 1994 to October 3, 1994 (181 days) the Notes will carry an interest rate of 5.925%. The interest payable on the relevant interest payment date October 3, 1994 will be £2,887.74 per £100,000 denomination.

The Industrial Bank of Japan, Limited, London Agent Bank

IBJ

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ISTITUTO PER LA RICOSTRUZIONE INDUSTRIALE

ANNOUNCEMENT OF SOLICITATION TO OFFER FOR 32% OF SME'S SHARE CAPITAL

Introduction

Istituto per la Ricostruzione Industriale (IRI) S.p.A. ("IRI"), headquartered in Rome, Via Vittorio Veneto 89, owns 281,949,665 shares in SME - Società Meridionale Finanziaria S.p.A. ("SME"), representing 62.12% of SME's share capital. SME, headquartered in Naples, Centro Direzionale, Via G. Porzio, 4, Isola A, Edificio 7 and registered at the Court of Naples at n. 22/1966 with fully paid-up capital of Lire 453,859,500,000 has the statutory purpose of owning and managing equity stakes in companies operating in particular in retailing (Società Generale Supermercati S.p.A. and its subsidiaries SICO and Serio), catering (Autogrill S.p.A.) and real estate development and trading (Commerciale Immobiliare Atena S.p.A.).

IRI intends to solicit and to screen offers for 145,235,040 shares, constituting 32% of SME's share capital (the "Offered Shares") from institutional investors and industrial entities, both Italian and foreign (the "Offer Process").

Eligibility Criteria

The Offer Process will be open to interested groups ("Group") that include at least three participants, none of which is part of the same organisation (as defined below), with each Group consisting of at least one participant from each of the following:

- institutional investors
- companies engaged in the retailing and highway catering industries
- companies which are suppliers to the Italian retailing industry

For the purposes of this announcement, an organisation comprises a parent company and its subsidiaries.

Interested parties must either be part of a predetermined Group or must form a Group within the time frame allowed under the offer procedures described below in order to submit a preliminary offer for 32% of SME's share capital; such offer will then be followed by a definitive, binding offer.

Each individual participant in a Group must be willing to acquire at least 18,154,380 of the Offered Shares (representing 4% of SME's Share Capital) and no individual participant in the Group will be permitted to acquire more than 108,926,280 of the Offered Shares (representing 24% of SME's Share Capital).

This invitation is extended only to limited liability companies or other entities which, as of the date of the last approved financial statements, had net worth of not less than Lire 15 billion, or which can provide equivalent guarantees acceptable to IRI. Brokers, trustees, partnerships and single persons are excluded.

Procedures for Interested Parties

Registration of Interest

Interested parties who meet the aforementioned requirements should direct enquiries, by letter or by fax, to Wasserstein Perella International Limited at the address given below, whereupon they will be provided with an application form to participate in the Offer Process, a description of the procedure to be followed and a Confidentiality Agreement, with a view to subsequently receiving the Information Memorandum and the text of the Sale and Purchase Agreement (which includes the draft text of the Shareholders' Agreement referred to below).

Applications

The aforementioned application form and the Confidentiality Agreement signed by a legal representative should be submitted to Wasserstein Perella International Limited not later than 5:00 pm on Friday, April 29, 1994.

Any request received after 5:00 pm on Friday, April 29, 1994 or any request presented by Wasserstein Perella International Limited, its parent company, subsidiaries or affiliates; or parties financed by the above subjects with the aim of acquiring the Offered Shares, their parent companies, subsidiaries or affiliates; or parties who provide financing to other parties for the purpose of the acquisition, their parent companies, subsidiaries or affiliates, will not be considered.

Preliminary Offer

A preliminary offer, which must in any event be for all of the Offered Shares, may nevertheless be submitted by a Group whose members are committed to acquire at least three quarters of the Offered Shares (i.e. 24% of SME's share capital). Under these circumstances, prior to submitting a final offer, the Group will be required to procure one or two additional members who meet the aforementioned requirements who will commit to acquire the remaining shares.

Each Group will be deemed to form a concert party which will offer to acquire the Offered Shares. Under Article 10 of Italian Law 18/02/92 n. 149, the winning concert party will then be obliged to launch a compulsory "Offerta Pubblica di Acquisto" ("OPA") or public tender offer for a further 32% of SME's share capital.

The winning group, through a shareholders' agreement (the "Shareholders' Agreement") will constitute a concert shareholder owning 50% of SME's share capital. This 50% will consist of the Offered Shares representing 32% of SME's share capital, together with a further 18% which will be acquired through the OPA. IRI will undertake to sell a sufficient number of shares to the winning Group to ensure the latter's acquisition of an additional 18% of SME's share capital. The acquisition by the Group of the Offered Shares together with the undertaking by IRI referred to above will guarantee the Group's position as principal shareholder of SME.

Any dealings by a member of the Group in the shares which are not subject to the Shareholders' Agreement must take place with the consent of all other members of the Group, and have regard to the optimum diffusion of SME's shares in the market.

It is anticipated that, at the close of the procedure, IRI will dispose of its remaining holding in SME (following the sale of the Offered Shares and any sale of additional SME shares to the winning Group under the provisions of the Shareholders' Agreement referred to above) by means of an "Offerta Pubblica di Vendita", or public offer for sale, giving pre-emption rights to employees of the SME group.

IRI has appointed Wasserstein Perella International Limited as its advisor in respect of the proposed transaction as described in this announcement. Parties interested in submitting an offer who satisfy the aforementioned eligibility criteria should notify Wasserstein Perella International Limited by letter or by fax at the following address:

Wasserstein Perella & Co. Limited
10-11 Park Place - London SW1A 1LP - England
Attention: Mark Labovitch - Karen Dodd
Tel: (+44 71) 499-4664
Fax: (+44 71) 495-2545

This announcement and the related Solicitation to Offer represents neither a public offer under Article 1336 of the Italian Civil Code, nor a solicitation to public saving under Article 1/18 of Italian Law 07/06/74 n. 216 as amended.

The Italian text of this announcement and the other documents referring to this procedure will prevail over any other version. Requests for such documents should be directed to the above address. This announcement and the sale procedure are subject to Italian law; in the event of any controversy or dispute relating to the above, the Courts of Rome (Italy) will have jurisdiction.

This advertisement, for which IRI is responsible, has been approved by Wasserstein Perella & Co. Limited, a member of the Securities and Futures Authority solely for the purposes of Section 57 of the Financial Services Act 1986. Wasserstein Perella & Co. Limited is acting for IRI in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to customers of Wasserstein Perella & Co. Limited or advising them as to any matter referred to herein.

COMPANY NEWS: UK

From motorway to runway

National Express plans to expand its airport side. Tim Burt reports

Tonight a McDonnell Douglas DC-10 will descend through the cloud over Leicestershire and make its final approach to East Midlands, a regional airport owned by a company better known for coach travel than transatlantic flights.

When the aircraft taxis to a halt it will be unloaded and refuelled by sub-contractors working for National Express Group, the long-haul operator.

The group regards the nightly arrival from Jersey, as testimony to its success in diversifying from road travel into airport operations.

Less than a year since National Express acquired the airport from its council owners, its £27.1m investment has been transformed from a non-core activity into an integral part of its on-going business.

Its importance to National Express was underlined last month when the operator unveiled a 38 per cent increase in pre-tax profits to £9.3m in 1993. Of that total, the airport contributed £2.2m after just five months as part of the enlarged group.

Those profits were boosted by the arrival of a number of new carriers, including United Parcel Services, the US express mail business, which has summer operations from London Stansted to East Midlands.

Growth, meanwhile, in charter and scheduled traffic has underpinned a 10 per cent increase in passenger numbers to 1.37m.

By comparison, National Express's core long-haul coaches lost £1.1m in the year, but its UK express coach business fell by 6.6 per cent and turnover declined by £5m.

Although the group is confident coach travel will bounce back, it believes profits would be enhanced further by an enlarged airport portfolio.



A complementary service: East Midlands boosted National Express profits by £2.2m in 1993

"The vision now is to expand the airport side. I would expect us to have one or two more airports by next year, but we are being very selective," says Mr. McEnhill, chief executive.

The gamble for National Express is whether it can repeat the success of East Midlands at other airports. Mr. McEnhill believes it can by adopting the same criteria which last July persuaded it to acquire the Leicestershire hub.

National Express was attracted to East Midlands by its existing coach and cargo business and its location next to the M1 motorway. Such criteria rules out a number of airports - many of them no more than enlarged aerodromes - and narrows the group's target range to a few sites, most of them council-owned.

Mr. McEnhill's bargaining position for such airports has been strengthened by government policy.

Public transport rules prevent local authorities from borrowing on the open market to fund airport expansion and - facing cash constraints elsewhere - several councils are said to be considering disposals.

"We've examined five or six likely sites and it won't be long

before we reach our target," Mr. McEnhill says.

His attention is thought to centre on Bristol Airport, owned by the city council, which made pre-tax profits of £2.9m in the 12 months to March 31 last year and saw passenger numbers rise by almost a third to 1.1m.

National Express may consider an investment in Birmingham International, which is being offered to fund an ambitious expansion programme, while airports at Coventry and Southend could also attract its interest.

The group's ability to bid for such sites has been enhanced by the terms under which it acquired East Midlands. It funded that transaction with £17.5m of medium-term debt, a £10m right issue and cash reserves, and still emerged with a strengthened balance sheet.

The reason is simple. The airport's council owners sold the site at a £10m discount to its £27m book value, and it has since been revalued at £25.1m. National Express would be to repeat the exercise with other councils and is prepared to fund such acquisitions by either returning to the market or increasing gearing from current levels of 30 per cent.

Industry trends have also played a part in persuading the coach group that runways offer better profit potential than motorways.

While revenues from express coach travel have declined, regional airports have seen demand climb steeply. Their popularity has increased with mounting congestion at London's two main hubs and pressure on tour operators to offer more diverse departure points.

Cargo carriers such as UPS, meanwhile, have been persuaded to move from the south-east by the promise of unrestricted night flights and access to the motorway network.

Encouraged by this activity, National Express has decided to move up to the south-east by extending the East Midlands runway and enlarging the apron space - enabling the airport to handle the largest fully-laden aircraft.

According to Mr. McEnhill, these developments will see National Express emerge as a broadly-based transport group in which coach operations complement aviation activities. "We make no secret of our desire to be an airport operator - it could account for more than 50 per cent of our profits in the near future."

NEWS DIGEST

Norish shows 14% advance to £2.66m

Norish, the Irish group which provides food, refrigeration, freezing storage and distribution services, raised pre-tax profits by 14 per cent in 1993, from £2.32m to £2.66m (£2.55m).

Turnover increased to £111m (£110.6m). An exceptional item of £124,000 represented profit on the disposal of fixed assets. Earnings per share came to 10.1p. The final dividend is maintained at 7p for an unchanged total of 17.1p.

The company will plan to adopt a facility whereby shareholders could elect to have their dividends payable in Irish or UK profits.

Slough pays £15m for industrial estate

Slough Estates, the industrial and commercial property developer, has paid £15.5m for the Railway Triangle, an industrial estate adjacent to the M27 motorway in Portsmouth.

The property, a long leasehold from Portsmouth City Council, was acquired from Universities Superannuation Scheme. It comprises 11 build-

ings with an annual income of £1.31m.

Epwin expands in Canada

Epwin Group, a maker of PVC-U windows and doors, is acquiring 50 per cent of Berline Polymers, based in Edmonton, Canada, for £3.5m (£1.7m) cash.

Berline, which makes its own range of PVC-U window extrusions, reported profits before interest and tax of £819,000 on turnover of £4.1m in 1993. Net assets at December 31 were £31.87m. Epwin will fund the acquisition.

LAIT pays £9m for shopping centre

London & Associated Investment Trust, the retail property investment group, is to acquire the long leasehold of Dagenham's main shopping centre, The Mall, Heathway, for more than £9m cash.

Consideration will be financed from the group's own resources. The Mall, built in 1979, comprises 61,000 sq ft of retail accommodation. Current annual gross rental income is £333,000.

INVITATION

to the Shareholders and Holders of Participation Certificates (hereinafter "Raiffeisen-Vermögensanteile")

to attend the

ORDINARY GENERAL MEETING OF SHAREHOLDERS

of Raiffeisen Zentralbank Österreich AG to be held on Wednesday, April 27, 1994 at 10.45 a.m. at 1030 Vienna, Stadtpark 9, "Raiffeisenhaus" (ground-floor).

AGENDA

- 1) Presentation of the Annual Financial Accounts, of the Report of the Board of Management and of the Report of the Supervisory Board for the fiscal year 1993
- 2) Resolution on the distribution of the net profit
- 3) Resolution on the release of the members of the Board of Management and of the Supervisory Board
- 4) Election of the members of the Supervisory Board
- 5) Resolution on the reimbursement of the members of the Supervisory Board
- 6) Election of the Auditors for the fiscal years 1994 and 1995
- 7) Resolution on the increase of the share capital from ATS 2,660,000,000 by ATS 70,000,000 to ATS 2,730,000,000 by the issue of 70,000 new shares with a nominal value of ATS 1,000 each with a share premium of 200 percent, the new shares being entitled to profit from July 1, 1994
- 8) Resolution on the issue of participation capital ("Genußrechte" pursuant to Section 174 (3) Corporation Act) up to a nominal value of ATS 13,279,400 in profit, against waiver of the shareholders' rights of preemption
- 9) Amendment of the Articles of Association
- 10) Miscellaneous

Attendance is granted only upon presentation of certificates of deposit evidencing the deposit of shares or interim certificates with an Austrian notary public or with an Austrian or foreign bank. The deposit must be effected not later than April 21, 1994 (Section 18 of the Articles of Association).

The voting power of the shareholders corresponds to the nominal value of the shares.

Proxies are exercised by proxy a written proxy is required and will be retained by the bank.

Holders of "Raiffeisen-Vermögensanteile" are entitled to attend the Ordinary General Meeting of Shareholders. Their right to attend is proven in the same manner as that of the shareholders (Section 18 of the Articles of Association by analogy).

THE BOARD OF MANAGEMENT

INVITATION

to the Holders of "Raiffeisen-Vermögensanteile"

to attend

A BRIEFING

concerning the Financial Accounts for 1993. This briefing will be held on Wednesday, April 27, 1994 at 9.30 a.m. at 1030 Vienna, Stadtpark 9, 9th floor, Room 8.

Holders of "Raiffeisen-Vermögensanteile" are entitled to attend this briefing. Their right to attend must be proven in the same manner as for the Ordinary General Meeting of Shareholders (Section 18 of the Articles of Association by analogy).

Vienna, March 1994

THE BOARD OF MANAGEMENT



RAIFFEISEN ZENTRALBANK ÖSTERREICH
ARTENGESELLSCHAFT
K2B-AUSTRIA

APR 11 1994

Irish Life shows 12% embedded value rise

By Tim Coome in Dublin

Irish Life, Ireland's largest funds manager in the life and pensions market, has reported a 12.9 per cent increase in embedded value from 1993 to 1994, to £253.1m.

The increase was broadly in line with market expectations. In calculating the embedded value - the financial yardstick which measures the net present value of current and future surpluses expected to be generated from business currently on the company's books - the company has moved from a 15 per cent to a 12 per cent discount rate policy. This is in line with the fall in money market rates.

Pre-tax profits edged ahead to £141.9m (£141.6m). Premium income increased by 199m - or 16.6 per cent - to £297m, with the strongest growth occurring in the US subsidiary, Interstate, where premium income grew by 48 per cent to £111.5m. Investment income

rose by 26 per cent to £130.9m.

In the group's core Irish market, individual single premium sales - which had dropped sharply in 1992 to only £155.7m - staged a recovery and grew by 64 per cent to £251.3m, although this was still well below the level of £141m.

This sector suffered through competition from low-tax savings products in the Irish market. Overall premium income in the Irish market grew by 11 per cent to £145.5m, but market share slipped by two percentage points to 26.7 per cent.

The UK division saw premium income grow 21 per cent to £105.7m, but a fall in new business is anticipated in 1994, as the distribution network is overhauled and cost-cutting measures are implemented.

The company has also announced that it is to acquire another US subsidiary, the Boston-based First Variable Life for between \$50m and \$55m (£37.5m). The company is

licensed to sell unit-linked products throughout the UK and the Republic of Ireland.

Total funds under management at year-end grew by 34 per cent to £18.45bn.

Earnings per share rose from 10.54p to 10.88p. The final dividend has been increased to 5.12p (5.44p) for a total up 8 per cent to 9.12p (8.44p).

COMMENT

With the advantages of the currency crisis now behind it, strong growth in the US and an upturn in the UK and European markets, the company is beginning to deliver on the expectations that had been created at its flotation three years ago. An increase in embedded value of 12.9m looks possible this year, and if goodwill of £100m is added for the value of new savings and new business anticipated, then the current share price of 170p looks cheap by UK standards.

B Matthews buys NZ lamb business

By Peggy Hollinger

Bernard Matthews, the turkey products group, yesterday announced its first foray into red meat production with the purchase of a New Zealand lamb business.

In its third acquisition in 12 months, Matthews is paying an undisclosed sum for state-owned Advanced Foods, which has supplied lamb roasts to the UK company since 1985. It is believed the price is less than the £2.5m net asset value attributed to Advanced Foods.

David Joll, Matthews' managing director, said the acquisition would open up new markets to the company's more familiar turkey products.

Almost 50 per cent of Advanced Foods' sales are outside Europe, to markets such as North America and Japan.

Matthews is expected to invest about £2m in expanding the business and will introduce lamb products through its distribution outlets in France and Germany this year.

Advanced Foods, owned by the New Zealand Meat Producers Board, was created in 1985 to produce lamb products using technology licensed from Matthews.

Last year Advanced Foods made profits of less than £1m on sales of £15m. Mr Joll said the purchase was expected to make a small contribution in the current year.

Restructuring costs put Pittards in loss

Pittards reported pre-tax

losses for 1993 after restructuring costs of £2.3m relating to its withdrawal from clothing leather production, writes Jim Marshall.

There were profits of £283,000 for 1992, restated for FRS 3. Turnover amounted to £114.6m (£100.8m) with £100.5m coming from continuing operations.

Before provisions, operating profits on continuing activities were £3.1m (£4.7m). The pre-tax result was after net interest of £1.1m (£2.1m).

Losses per share came through at 36p (40p) and 1p (2p) is proposed for the year.

Mr David Macdonald, chairman, said that wool sheepskin prices, which had been volatile during the early months of 1993, rose sharply in the second half and had continued to rise in the first quarter of 1994.

However, the chemicals division, although still loss-making, performed appreciably better in the second half, he added.

So far this year the group's factories had operated at virtually full capacity.

In addition, there was an improving proportion of higher margin products in the sales mix. Net borrowings at the year-end were slightly lower at £15.3m.

Exide buys Big Batteries

Exide Corporation of the US has moved into the European battery market with the acquisition of Big Batteries for a sum in excess of

£1m. Exide has a 35 per cent share of the North American automotive battery market.

Cwmbran, Wales, is the UK's largest privately-owned maker of automotive batteries.

Exide has a 35 per cent share of the North American automotive battery market.

NEWS DIGEST

Friendly Hotels advances

Although the anticipated improvement in trading conditions did not materialise, Friendly Hotels managed to achieve increased turnover and profits in 1993.

On turnover up from £29.6m to £32.4m, pre-tax profits for the year to December 31 came out at £2.6m.

That compared with restated profits of £274,000 for 1992, although the company said the advance was rather more modest when compared with the pre-FRS 3 figure of £2.54m.

Earnings per share were 5.3p (5.4p losses) and a final dividend of 3.9p is recommended, maintaining the total at 5.7p.

Two new hotels were opened towards the end of last year, and were "trading encouragingly" in 1994, the company said.

In September Friendly raised some £18m through a rights issue, reducing net borrowings to £20.1m and getting to 57 per cent.

Wimpey extends quarrying interests

George Wimpey is to reinforce its position in UK quarrying with a move to full ownership of Wimpey Hobbs, its west country and Wales quarrying company.

The move involves Wimpey's purchase for £7.5m of the remaining 20 per cent interest in Wimpey Hobbs held by Hobbs Properties, a family owned company.

Mr Joe Dwyer, chief executive, said full ownership improved the group's flexibility significantly. "We will be able to complete the merger of our two UK businesses - Wimpey Hobbs in the south and Wimpey Asphalt in the north - giving increased opportunities for rationalisation and investment," he said.

CE Heath makes US disposal

CE Heath, the insurance broker, has sold its 44.61 per cent interest in Cornwall & Stevens, its southern US-based specialist agricultural risk broker, to Mutual Service Casualty Insurance of Minnesota.

Total consideration was \$7.45m (£5.1m) cash, of which Heath's share amounted to \$6.3m.

At the same time, Heath's New York underwriting subsidiary, Lloyds New York Insurance Company, has sold to MSH its loss-making agricultural book of business for \$300,000 cash. About 85 per cent of this business is introduced to LNY by C&S.

Proceeds will be reinvested in Heath's worldwide broking operations.

Seton Healthcare moves into Japan

Seton Healthcare Group is to enter the Japanese market following the completion of a distribution agreement with Mitsubishi Plastics, part of the Japanese conglomerate.

The deal will give Mitsubishi exclusive distribution rights for the Lyotran wound treatment product in Japan. Seton will receive £100,000 immediately and the Japanese group has agreed to performance criteria.

Mr Iain Cater, Seton chief executive, described wound management as an area "where we are committed to developing new products". The market was underdeveloped in Japan, he said, with significant growth potential.

Cookson to buy Union Carbide arm

Cookson, the industrial materials group, has signed a letter of intent to buy the electronic materials division of Union Carbide, the US chemicals manufacturer.

The final consideration for

the businesses, which had sales of £28m (£19m) last year, was not disclosed.

The acquisition will add protective coatings to the range of printed circuit board chemicals which Cookson supplies.

The deal covers three Union Carbide subsidiaries - London Chemical and Specialty Coatings Systems of the US and Nova Tram, a UK company.

They will join Cookson's electronic materials division which had sales of £400m last year.

Powell Duffryn waste collection buy

In line with its strategy of developing its share of the growing European environmental engineering market, Powell Duffryn has acquired Kiggen Bebeer, the Netherlands-based designer and manufacturer of waste collection systems.

Powell Duffryn, which has interests in distribution and specialist engineering, said Kiggen would complement its European refuse collection vehicle business.

Kiggen has annual sales of £112m (£62m) and net assets of £14.4m.

Andaman expands via share placing

Andaman Resources, the Belfast-based mineral exploration company, has agreed to acquire Southern Roadmarkings, together with a 24.9 per cent stake in Fleet International via the issue of 3.7m new ordinary shares.

In addition, Andaman will acquire 25 per cent of Fleet's voting deferred shares in Fleet, a supplier of specific types of millstones to HM Prison Service.

For the year to end-March 1993 Southern Roadmarkings achieved operating profits of £450,000 while Fleet had sales of £450,000 for the first quarter of 1994.

The shares are being placed by Charles Stanley.

INVITATION TO TENDER

The Privatisation Fund of the Republic of Croatia

hereby announces an open tender to sell 30.38% of the equity of

KRAS d.d. Zagreb

Croatia's largest confectionery producer

Kras is the largest producer of cocoa products, candies, biscuits and wafers in Croatia. The company has the capacity to produce over 41,000 tons of confectionery products yearly and has a domestic market share of approximately 50%. Kras is profitable and has very little debt, making it an extremely attractive investment opportunity.

Investors are sought who are able to further strengthen the company's technological and marketing position in order to continue its success.

Bids for Kras shares are to be submitted on May 27, 1994 to the Croatian Privatisation Fund. The winning bidder will have the possibility of acquiring further shares through a capital increase.

EPIC and its local partner INVESTCO have been mandated as the exclusive advisors to the Privatisation Fund of the Republic of Croatia regarding this transaction. Financial and strategic investors who are interested in this opportunity may receive an Information Memorandum and tender documents against a fee of DM 1000 and the signing of a confidentiality undertaking. For further information, please contact us at the telephone numbers listed below.

EPIC, European Privatization and Investment Corporation
Pflöggasse 8
A-1040 Vienna
Austria

Mr. F. G. G. G. G.
(+43-1) 501-1910
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INVESTCO
Investments & Finances Co.
Gajeva 55
HR-41000 Zagreb
Croatia

Mr. Andrej Dour
tel: (+385-41) 422-518
(+385-41) 431-478

Leveraged Capital Holdings

Weekly net asset value on 31.03.94
US\$ 0.67

Listed on the Amsterdam Stock Exchange

Information:
Moffett Capital Management
Rokin 25, 1012 EC Amsterdam
Tel: +31-20-5211410

BARINGS B.V.

U.S. \$150,000,000
Floating Rate Note
Maturity: 2001

For the month of April 7, 1994 to June 25, 1994, the Notes will bear interest at 4.4375% per annum. The interest payable on the relevant interest payment date, June 25, 1994 will be U.S. \$10.71 per U.S. \$1,000 Note, U.S. \$101.08 per U.S. \$1,000 Note and U.S. \$1,010.78 per U.S. \$1,000,000 Note.

Sole: The Citicorp National Bank, N.A.
London, Agent Bank

April 7, 1994

JAPAN AIRLINES COMPANY, LTD.

(Incorporated with limited liability in Japan)

¥10,000,000,000
Floating Rate Note due April 1998

For the period 8th April 1994 to 8th July 1994

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the rate of interest has been fixed at 2.5625 per cent. per annum and that the interest payable on the relevant payment date being 8th July 1994 will be ¥547,743 per ¥100,000,000 Note.

The Industrial Bank of Japan, Limited
(London Branch)
as Agents Bank

FRESHFIELDS

FINANCIAL TIMES

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New Issue / February 1994

COMMODITIES AND AGRICULTURE

Japanese copper cuts expected after Gatt deal

By Kenneth Gooding,
Mining Correspondent

Japan's copper industry will permanently close between 100,000 and 150,000 tonnes of annual smelting capacity - roughly one quarter of its 1.2m tonnes - as a result of the government's agreement to reduce tariffs on refined copper imports, it is suggested.

This is a major sea change in the copper business, says Mr John Champagne, industry adviser to the US government during the negotiations on the General Agreement on Tariffs and Trade. "The Japanese smelters will no longer be the power in the industry they are today."

At present Japan imposes a tariff of 11.4% (2.4% a tonne on imports of refined copper equivalent to about 10% on the present price). As part of the Uruguay Round to be ratified on April 15, over the next five years this will be reduced to 5.7%.

Then in 1999 the tariff will be changed to 3 per cent a tonne. Mr Champagne points out that the change to an *ad valorem* tariff is important in that the cost will reduce as world copper prices fall. "The protection the Japanese smelters will have in future will reduce when copper prices are low and the margins for treating raw materials are under pressure."

The present tariff barriers have enabled Japan to build one of the world's strongest copper smelting and refining industries even though it has no copper mines. The tightly-knit Japanese copper smelting cartel, known in the industry as the Japanese Smelter Pool, dominates the world market for intermediate material, importing about one third of all intermediate material internationally.

This dominant position gives Japan a disproportionate

influence in the financing of new copper mines anywhere in the world because owners usually need a contract with the Pool before they can obtain finance.

The tariffs give Japanese producers a protected base from which to export aggressively to third countries and allow Japanese smelters to charge higher prices in global markets for copper scrap and concentrates, which are imported duty free to Japan.

Mr Champagne, president of Magma Metals, part of the MagmaCopper group, says that, while the Gatt compromise fell short of the US industry's goal of removing all duties and other trade barriers on refined copper, it was "an important step to reduce distortion of the world copper market and will benefit all copper consumers in Japan."

He suggests that, while a loss of duty protection may hasten the closure of some Japanese smelters

capacity, it will not threaten the entire industry. The more efficient plants will survive. Mr Champagne points out that the US has taken second place as a supplier of copper to Japan behind Chile, a country that enjoyed a considerable advantage from GSP (Generalized System of Preferences) status, which permits tariff-free imports from developing countries under certain circumstances. "If it were not for the Japanese duty, US exports might have been higher still and quite possibly Chile's would have been less," says the Magma president.

Apart from being a reliable supplier of high-quality copper, the US could deliver from its west coast ports to Japan in only two to three weeks, compared with six weeks from Chile.

Analysts suggest that the Japanese smelters will not wait until the last moment to rationalise capacity and expect closures in the next two or

three years. Top of the list of potential casualties, they say, is Dowa Mining's 55,000-tonne-a-year smelter at Kosaka, which has very high transport costs because of its inland site. They also mention the possibility of Mitsubishi closing its Onahama smelter (250,000 tonnes) and of Nippon Mining shutting one of the two furnaces at its Sagami smelter (180,000 tonnes).

World shortages of copper concentrate and scrap, as well as reduced economic activity in Japan, are forcing the Japanese smelters to cut output in the first half of this year. Dowa says it will cut by 10 per cent compared with the second half of 1993, to 9,845 tonnes a month; Nippon Mining by 14 per cent to 24,000 tonnes a month; Mitsubishi by 12.4 per cent to 21,300 tonnes a month; and Sumitomo by 9.9 per cent to 94,200 tonnes a month. All four companies also intend to reduce lead and zinc output in the first half.

Oil holds on to price gains as market 'ignores fundamentals'

By Robert Corzine

Oil prices yesterday held on to most of the gains made earlier this week when a rally sparked by the entry of hedge funds into the oil futures market caused the price of the benchmark Brent Blend to rise by more than \$1 a barrel.

In late London trading yesterday Brent Blend was \$14.25 a barrel. Last week's price fell from \$13 to around \$11 in the aftermath of the Geneva meeting of the Organisation of Petroleum Exporting Countries.

Many traders believe the market overreacted to Opec's decision to forego a cut in output in favour of rolling over the present production ceiling

of 24.5m barrels a day until the end of the year.

The latest price strength was evidence that it was experiencing a "guilt syndrome" for taking such a negative initial view of the Opec decision, according to Mr Peter Gignoux, head of the energy desk at brokers Smith Barney in London.

Other analysts said the latest price swings ignored market fundamentals, which continue to point to plentiful supplies and relatively weak demand in the second quarter.

Mr Vahan Zanyan of the International Petroleum Finance Company in Washington said "there was no justification for the \$1 a barrel rally," which he said was

"unrelated to the reality on the ground."

He cited especially weak demand in Asia and the prospect of greater Russian exports with the return of good weather as factors maintaining downward pressures on prices. In addition a Reuters survey yesterday of Opec production suggested that the organisation's March output exceeded its ceiling by 500,000 barrels a day.

Mr Zanyan said the hedge funds now constituted a technical factor in the market. They could prove particularly volatile if "liquidated" their position as a time when weak fundamentals are biting their teeth," he added.

Disease slashes cotton crops

By Nancy Dunne,
In Washington

Two years of disease and pest damage have slashed cotton output in Pakistan and China by a third and thrown into question forecasts of world production over the next decade.

According to the International Cotton Advisory Committee, an association of exporting and importing countries, there is danger that the world's largest cotton producers, Pakistan, will spread to North India and Central Asia during the next few years.

Pakistan's production has already fallen by 40 per cent over the past two seasons, generally the result of the virus and other pests for which no

effective deterrent has been discovered. With the decline in cotton and its impact on the textile industry, Pakistan's GDP could fall by more than 2 per cent this year, the ICAC said in its March-April Cotton Review.

Declining yields and rising output costs could reduce planted acreage in 1994-95. "The use of resistant varieties and a third year of experience with the least cut virus could lead to marginally higher yields," the ICAC said.

Pests and disease are reducing the harvest in China. Production in 1993-94 is 600,000 tonnes less than consumption. According to the ICAC, the problem appears to be "of a long term nature and will

shifts in the location of cotton production changes in agronomic practices in the affected areas."

Double cropping cotton with wheat, which provides a year-round income, is being pushed up by prices for competing crops.

World cotton production in 1993-94 will be 1.3m tonnes less than the previous year and nearly 2m tonnes less than consumption projections for 1994-95. "It is possible that average prices in the 1990s will be higher than the 1980s, and that the 75 per pound average of the 1970s might be the norm of the current decade as well," the report said.

US agricultural exports forecast to more than double

By Deborah Hargreaves

Agricultural exports from the US could more than double by 2005 to \$3.7bn as a result of the Gatt deal, according to a report by the US Department of Agriculture.

By 2000, the report expects US farm exports to rise by \$1.5bn to \$4.7bn, bringing higher prices and increased demand for US products.

Subsidised farm exports will

begin to be replaced by the new market under the Gatt deal, changing world market fundamentals, the report says.

"Removal of subsidies will increase prices, dramatically in some countries, and reduce world demand in the first years of the agreement." After that, world demand will rise sharply, the report says.

One of the important conclusions of the USDA's analysis is that the Gatt deal will be good

for world agriculture by raising income worldwide, which will lead to higher demand for farm products and an increase in prices.

World prices will rise by 1 to 2 per cent for wheat and 7 to 8 per cent for soybeans by 2005, the report predicts. US wheat output will rise and exports will increase. Soybean exports will be more than double by 2005, the report says.

US farm exports could rise by \$1.5bn in 2000 and by as much as \$2.5bn in 2005. This would help offset spending on farm support, reducing outlays by an estimated \$2.6bn in 2005.

Analysing export-related employment in agriculture, the report says that the number of jobs in the sector could rise by 190,000.

The deal will help

committees on agriculture. "Perhaps even more important for the future is the discipline the Uruguay Round will apply to countries that might otherwise choose the direction of closing markets, production-including internal supports, and subsidised exports."

He said this gave a signal to large US trading partners that remained outside Gatt - China, Taiwan and the nations of the former Soviet Union.

Hungarian land law infuriates the business community

By Nicholas Denton
In Budapest

A new land law passed yesterday by the Budapest parliament severely limits foreign investment in Hungarian agricultural land, one of the country's traditionally strong sectors.

The act, although it does not affect existing holdings, bans new purchases of land by foreign individuals and companies, and non-Hungarian

investors to lease no more than 500 hectares and then only for 10 years in general.

The business community has reacted furiously to the new legislation. "Foreign investment in Hungarian agricultural land is dead as a dodo," said Mr Adam Batthyany, head of Batthyany Securities and one of the largest private landowners.

Officials in the agriculture ministry have also been critical of the government's policy

which included the limits on foreign land ownership under the new law.

The infusion of foreign capital and know-how has been widely seen as one way to revive Hungarian agriculture in its former health. Hungary was the eastern bloc's largest agricultural exporter but drought, loss of markets and confusion over property rights caused output to fall 17 per cent in 1993 and a further 8 per cent

in 1994.

Foreign purchases of land are, however, unpopular among a rural constituency which supports a conservative coalition of farmers and small business owners. The discriminatory elements of the land act would be incompatible with Hungarian membership of the European Union, in which Budapest formally

applied just last week.

The government said that the measures would apply only to the interim period leading up to EU accession and until Hungarian land prices, currently a fraction of western rates, reach "realistic" levels.

Nevertheless, Hungary's policy is in general to harmonise its legislation with EU directives in advance of membership and the land act

MARKET REPORT
Coffee and cocoa futures push higher

London Commodity Exchange COFFEE and COCOA futures strode higher yesterday afternoon after wavering in the morning.

Short-covering helped the May coffee price to a fresh

high of \$1.485 a tonne before closing \$30 up at \$1.414. "With no coffee coming onto the market at the moment, perhaps someone has just decided to buy," suggested one trader.

Cocoa prices were also strong, but in routine volume. The May position gained \$12 to \$281 while near July rose \$11 to \$90.

Traders said it was "trying to consolidate".

Compiled from Reuters

COMMODITIES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Unsmelted Metal Trading)

ALUMINIUM, 99.7 Purity (\$/tonne)

Cash 3 mths

Close 1295.5-0.1

Previous 1295.5-0.1

High/Low 1297 1295.5-0.1

AM Official 1295.5-0.1

Kerb close 1295.5-0.1

Open int. 299,052

Total daily turnover 32,257

ALUMINIUM ALLOY (\$/tonne)

Close 1270-0

Previous 1270-0

High/Low 1270-0 1270-0

AM Official 1270-0

Kerb close 1270-0

Open int. 4,500

Total daily turnover 913

LEAD (\$/tonne)

Close 441-2

Previous 441-2

High/Low 441-2 441-2

AM Official 441-2

Kerb close 441-2

Open int. 33,148

Total daily turnover 11,103

ZN (\$/tonne)

Close 5900-10

Previous 5900-10

High/Low 5900-10 5900-10

AM Official 5900-10

Kerb close 5900-10

Open int. 46,857

Total daily turnover 13,103

TI (\$/tonne)

Close 5415-25

Previous 5415-25

High/Low 5415-25 5415-25

AM Official 5415-25

Kerb close 5415-25

Open int. 10,048

Total daily turnover 10,048

ZN (\$/tonne)

Close 5415-25

Previous 5415-25

High/Low 5415-25 5415-25

AM Official 5415-25

Kerb close 5415-25

Open int. 10,048

Precious Metals continued

WORLD COMEX (100 Troy oz; \$/troy oz)

Gold

Close 383.75-0.1

Previous 383.75-0.1

High/Low 383.75 383.75-0.1

AM Official 383.75-0.1

Kerb close 383.75-0.1

Open int. 299,052

Total daily turnover 32,257

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Close 408.0-1.0

Previous 408.0-1.0

High/Low 408.0 408.0-1.0

AM Official 408.0-1.0

Kerb close 408.0-1.0

Open int. 4,500

Total daily turnover 913

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Close 1270-0

Previous 1270-0

High/Low 1270-0 1270-0

AM Official 1270-0

Kerb close 1270-0

Open int. 4,500

Total daily turnover 913

LEAD (\$/tonne)

Close 441-2

Previous 441-2

High/Low 441-2 441-2

AM Official 441-2

Kerb close 441-2

Open int. 33,148

Total daily turnover 11,103

ZN (\$/tonne)

Close 5900-10

Previous 5900-10

High/Low 5900-10 5900-10

AM Official 5900-10

Kerb close 5900-10

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TI (\$/tonne)

Close 5415-25

Previous 5415-25

High/Low 5415-25 5415-25

AM Official 5415-25

Kerb close 5415-25

Open int. 10,048

GRAINS AND OIL SEEDS

WHEAT LCE (\$/bushel)

Close 108.00-0.10

Previous 108.00-0.10

High/Low 108.00 108.00-0.10

AM Official 108.00-0.10

Kerb close 108.00-0.10

Open int. 4,500

Total daily turnover 913

WHEAT CBT (\$/bushel)

Close 108.00-0.10

Previous 108.00-0.10

High/Low 108.00 108.00-0.10

AM Official 108.00-0.10

Kerb close 108.00-0.10

Open int. 4,500

Total daily turnover 913

WHEAT CBT (\$/bushel)

Close 108.00-0.10

Previous 108.00-0.10

High/Low 108.00 108.00-0.10

AM Official 108.00-0.10

Kerb close 108.00-0.10

Open int. 4,500

Total daily turnover 913

WHEAT CBT (\$/bushel)

Close 108.00-0.10

Previous 108.00-0.10

High/Low 108.00 108.00-0.10

AM Official 108.00-0.10

Kerb close 108.00-0.10

Open int. 4,500

Total daily turnover 913

WHEAT CBT (\$/bushel)

Close 108.00-0.10

Previous 108.00-0.10

High/Low 108.00 108.00-0.10

AM Official 108.00-0.10

Kerb close 108.00-0.10

Open int. 4,500

Total daily turnover 913

WHEAT CBT (\$/bushel)

Close 108.00-0.10

Previous 108.00-0.10

High/Low 108.00 108.00-0.10

AM

MARKET REPORT

Early gains cut back before the close of trading

By Terry Byland,
UK Stock Market Editor

The UK stock market extended its recovery yesterday, although shares closed well below the best of the day as Wall Street fell to carry through its overnight strength into the new trading session. Market strategists sounded somewhat cautious of applying the equity rally, pointing out that the first day of the new financial year in the UK brought a sharp increase in trading volume which appeared to be grounded in unrelated factors.

A further shaving of interest rates at the money market repo auction in Germany, together with a firm performance from sterling, encouraged interest rate optimism. Gains in UK government bonds also buttressed confidence in the stock

market and little attention was paid to the rise in unannounced money last month.

But the final reading on the FT-SE 100 index of 3,131.5 for a gain of 15.3 was well below the day's peak and did not even match the first reading on the index, which opened 26 points up in the Dow's overnight rise of 83 points. The FT-SE Mid 250 index, which includes a range of second line stocks, put on 15.1 at 3,776.1.

The early strength also reflected a substantial buy which was related to year-end trades and originated from a large US investment bank. Lines of stock, across both the Footsie and FT-SE Mid 250 ranges, were sold on Tuesday night by investors seeking to establish a tax loss for 1993-1994.

Account Dealing Dates

Year Ending	Mar 31	Apr 30	May 31
Optical Dealings	Mar 31	Apr 30	May 31
Account Dealing	Apr 6	Apr 22	May 18
Account Dealing	Apr 13	May 9	May 25

At the opening of the market yesterday, many of these stocks were rebought in deals which lifted the Seaq trading total sharply.

By these tax-related deals, Seaq trading on the day jumped by nearly one-quarter to 1.1 million shares. But business deals away in the middle of the session, although driving the close when both US

turned easier. The Dow Industrial Average was 14 points down when London went home for the day, leaving UK traders to watch New York markets closely for a lead to this morning's London opening.

London was somewhat slower than some continental European markets to respond to the improvement overnight in sentiment on Wall Street. Analysts of the UK market pointed to lingering uncertainties over the outlook for domestic rates. Hopes for an early cut in rates to counterbalance the month appear threatened by the likelihood that the Federal Reserve will tighten credit policy again soon, as well as by political uncertainties in the US.

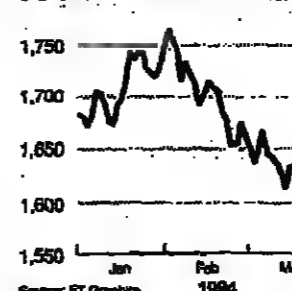
However, market confidence steadied yesterday. Thomas Govett,

the UK securities house, dismissed last week's rumours that a repeat of the 1987 crash was in the offing, noting that the "pendulum of market sentiment" has swung from one extreme to the other since the beginning of the year.

In particular, Hoare urges that the yield ratio of bonds to equities remained relatively stable at around 2.1, compared with more than 3.3 at the time of the 1987 crash. "Two episodes have been entirely different," Hoare.

US dollar strength helped the multi-nationals, the pharmaceutical sector in good form. Across

FT-SE-A All-Share Index



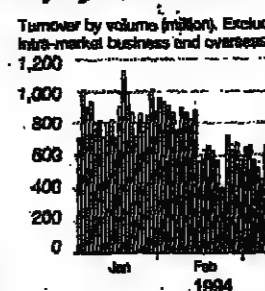
Key Indicators

Indices and ratios	Value	% Chg
FT-SE 100	3131.5	+15.3
FT-SE Mid 250	3776.1	+15.1
FT-SE-A All-Share	1580.2	+7.29
FT-SE-A All-Share yield	3.67	(3.68)

Best performing sectors

Sector	% Chg
Oil Exploration	+2.1
Merchant Banks	+2.1
Oil Integrated	+1.8
Engineering, Vehicles	+1.5
Miscellaneous	+1.5

Equity Shares Traded



FT Ordinary Index	+10.3
FT-SE-A Non Fin p/e	20.73
FT-SE-A Non Fin p/b	2133.0
10 yr Govt Yield	7.88
Long Gilt/Equity Yld Ratio	2.15

Worst performing sectors

Sector	% Chg
Electricity	-1.2
Retailers, Food	-1.1
Leisure & Hotels	-0.5
Transport	-0.5
Diversified Inds.	-0.5

Bid talks

power Hogg

from Hogg Group, the insurance broker, that it is in discussions with a number of potential bidders triggered another strong burst of buying. Dealers expected an opening shot of around 20p in a bidding auction for Hogg and that an eventual take-out price for the group would be in the region of 250p a share. Hogg shares finished 23 stronger at 205p.

There was widespread speculation as to the identities of the other companies involved in the bid, with Hogg, Inchcape, which held takeover talks with another UK insurance broker, C.E. Heath, last year, was seen as a possible bidder, as was Hambros Insurance Services.

There was also talk that a number of UK companies might be interested in Hogg, principally Aon Corporation.

ICI recovery

Shares in ICI recovered from recent weakness, improving 18 to 302p, as some of the gloom-

ier analysts appeared to be taking a more benign view of the company.

Hoare Govett, a former company director, consistently bearish, argued that ICI was a firm to watch in the future might render ICI slightly more attractive.

Although he stressed he was not yet changing his stance, Mr Martin Evans of Hoare said: "Given internal comments from ICI could... surprise [ICI] and momentum of the response to better trading conditions."

Encouragement from a strong overnight performance on Wall Street fuelled the high profile debut of House of Fraser. The confidence that had seen the UK

agoed institutions to take larger positions in the stock.

The shares closed at a premium of 10p to their last price of 140p and turnover of 1.1 million shares. However, the initial performance of the largest flotation this year did no more than meet market expectations considering the favourable trading conditions. And analysts were slightly disappointed at the volume

traded.

Much of the business was conducted by S.G. Warburg, the company broker, and most of the buying came from UK institutions.

Anticipation that Boots would sell its pharmaceutical division prompted trading in the stock. Interest was sharpened by Boots' appointment of Credit Suisse to handle a future unbundling of the drugs arm. UBS was a keen buyer of the stock. The shares added 12 at 519p in a volume of 3.5m.

Confirmation by Associated British Foods that it was in talks to sell its Bakers Oven chain of bakery outlets to Greggs pushed the AB Foods shares up 11p to 140p in this turnover. Greggs was unchanged at 743p.

International conglomerate Mannesmann fell 4 to 265p while UK brokerage said to have been an active seller.

Pharmaceutical group Glaxo improved 12 to 618p after recent underperformance as the shares responded to earlier strength on Wall Street and the company confirmed that Servent, its oral anthelmintic, must treat on sale in the US.

Media and leisure conglomerate Pearson languished after an investor sold a block of 1.8m shares at 612p, well below the market price.

Analysts said that the shares had outperformed the FT-SE-A All-Share index by more than 40 per cent over the past year in spite of recent falls and investors had used last week's purchase of 8.7m shares to

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (p) (c) (d) (e) (f) (g) (h) (i) (j) (k) (l) (m) (n) (o) (p) (q) (r) (s) (t) (u) (v) (w) (x) (y) (z) (aa) (ab) (ac) (ad) (ae) (af) (ag) (ah) (ai) (aj) (ak) (al) (am) (an) (ao) (ap) (aq) (ar) (as) (at) (au) (av) (aw) (ax) (ay) (az) (ba) (bb) (bc) (bd) (be) (bf) (bg) (bh) (bi) (bj) (bk) (bl) (bm) (bn) (bo) (bp) (bq) (br) (bs) (bt) (bu) (bv) (bw) (bx) (by) (bz) (ca) (cb) (cc) (cd) (ce) (cf) (cg) (ch) (ci) (cj) (ck) (cl) (cm) (cn) (co) (cp) (cq) (cr) (cs) (ct) (cu) (cv) (cw) (cx) (cy) (cz) (da) (db) (dc) (dd) (de) (df) (dg) (dh) (di) (dj) (dk) (dl) (dm) (dn) (do) (dp) (dq) (dr) (ds) (dt) (du) (dv) (dw) (dx) (dy) (dz) (ea) (eb) (ec) (ed) (ee) (ef) (eg) (eh) (ei) (ej) (ek) (el) (em) (en) (eo) (ep) (eq) (er) (es) (et) (eu) (ev) (ew) (ex) (ey) (ez) (fa) (fb) (fc) (fd) (fe) (ff) (fg) (fh) (fi) (fj) (fk) (fl) (fm) (fn) (fo) (fp) (fq) (fr) (fs) (ft) (fu) (fv) (fw) (fx) (fy) (fz) (ga) (gb) (gc) (gd) (ge) (gf) (gg) (gh) (gi) (gj) (gk) (gl) (gm) (gn) (go) (gp) (gq) (gr) (gs) (gt) (gu) (gv) (gw) (gx) (gy) (gz) (ha) (hb) (hc) (hd) (he) (hf) (hg) (hh) (hi) (hj) (hk) (hl) (hm) (hn) (ho) (hp) (hq) (hr) (hs) (ht) (hu) (hv) (hw) (hx) (hy) (hz) (ia) (ib) (ic) (id) (ie) (if) (ig) (ih) (ii) (ij) (ik) (il) (im) (in) (io) (ip) (iq) (ir) (is) (it) (iu) (iv) (iw) (ix) (iy) (iz) (ja) (jb) (jc) (jd) (je) (jf) (jg) (jh) (ji) (jj) (jk) (jl) (jm) (jn) (jo) (jp) (jq) (jr) (js) (jt) (ju) (jv) (jw) (jx) (jy) (jz) (ka) (kb) (kc) (kd) (ke) (kf) (kg) (kh) (ki) (kj) (kk) (kl) (km) (kn) (ko) (kp) (kq) (kr) (ks) (kt) (ku) (kv) (kw) (kx) (ky) (kz) (la) (lb) (lc) (ld) (le) (lf) (lg) (lh) (li) (lj) (lk) (ll) (lm) (ln) (lo) (lp) (lq) (lr) (ls) (lt) (lu) (lv) (lw) (lx) (ly) (lz) (ma) (mb) (mc) (md) (me) (mf) (mg) (mh) (mi) (mj) (mk) (ml) (mm) (mn) (mo) (mp) (mq) (mr) (ms) (mt) (mu) (mv) (mw) (mx) (my) (mz) (na) (nb) (nc) (nd) (ne) (nf) (ng) (nh) (ni) (nj) (nk) (nl) (nm) (nn) (no) (np) (nq) (nr) (ns) (nt) (nu) (nv) (nw) (nx) (ny) (nz) (oa) (ob) (oc) (od) (oe) (of) (og) (oh) (oi) (oj) (ok) (ol) (om) (on) (oo) (op) (oq) (or) (os) (ot) (ou) (ov) (ow) (ox) (oy) (oz) (pa) (pb) (pc) (pd) (pe) (pf) (pg) (ph) (pi) (pj) (pk) (pl) (pm) (pn) (po) (pp) (pq) (pr) (ps) (pt) (pu) (pv) (pw) (px) (py) (pz) (qa) (qb) (qc) (qd) (qe) (qf) (qg) (qh) (qi) (qj) (qk) (ql) (qm) (qn) (qo) (qp) (qq) (qr) (qs) (qt) (qu) (qv) (qw) (qx) (qy) (qz) (ra) (rb) (rc) (rd) (re) (rf) (rg) (rh) (ri) (rj) (rk) (rl) (rm) (rn) (ro) (rp) (rq) (rr) (rs) (rt) (ru) (rv) (rw) (rx) (ry) (rz) (sa) (sb) (sc) (sd) (se) (sf) (sg) (sh) (si) (sj) (sk) (sl) (sm) (sn) (so) (sp) (sq) (sr) (ss) (st) (su) (sv) (sw) (sx) (sy) (sz) (ta) (tb) (tc) (td) (te) (tf) (tg) (th) (ti) (tj) (tk) (tl) (tm) (tn) (to) (tp) (tq) (tr) (ts) (tt) (tu) (tv) (tw) (tx) (ty) (tz) (ua) (ub) (uc) (ud) (ue) (uf) (ug) (uh) (ui) (uj) (uk) (ul) (um) (un) (uo) (up) (uq) (ur) (us) (ut) (uu) (uv) (uw) (ux) (uy) (uz) (va) (vb) (vc) (vd) (ve) (vf) (vg) (vh) (vi) (vj) (vk) (vl) (vm) (vn) (vo) (vp) (vq) (vr) (vs) (vt) (vu) (vv) (vw) (vx) (vy) (vz) (wa) (wb) (wc) (wd) (we) (wf) (wg) (wh) (wi) (wj) (wk) (wl) (wm) (wn) (wo) (wp) (wq) (wr) (ws) (wt) (wu) (wv) (ww) (wx) (wy) (wz) (xa) (xb) (xc) (xd) (xe) (xf) (xg) (xh) (xi) (xj) (xk) (xl) (xm) (xn) (xo) (xp) (xq) (xr) (xs) (xt) (xu) (xv) (xw) (xx) (xy) (xz) (ya) (yb) (yc) (yd) (ye) (yf) (yg) (yh) (yi) (yj) (yk) (yl) (ym) (yn) (yo) (yp) (yq) (yr) (ys) (yt) (yu) (yv) (yw) (yx) (yy) (yz) (za) (zb) (zc) (zd) (ze) (zf) (zg) (zh) (zi) (zj) (zk) (zl) (zm) (zn) (zo) (zp) (zq) (zr) (zs) (zt) (zu) (zv) (zw) (zx) (zy) (zz)

works as an opportunity to take profits.

Pearson closed 7 weaker at 612p with 5.2m shares traded, unusually high for the stock.

The oil sector gained

LIFE EQUITY OPTIONS

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INVESTMENT TRUSTS - Contd.

	Median	Price	+ or -
Apartment 1-Bed	175	210	+15
Apartment 2-Bed	210	210	0
Apartment 3-Bed	240	210	-30
Apartment 4-Bed	270	210	-60
Apartment 5-Bed	300	210	-90
Apartment 6-Bed	330	210	-120
Apartment 7-Bed	360	210	-150
Apartment 8-Bed	390	210	-180
Apartment 9-Bed	420	210	-210
Apartment 10-Bed	450	210	-240
Apartment 11-Bed	480	210	-270
Apartment 12-Bed	510	210	-300
Apartment 13-Bed	540	210	-330
Apartment 14-Bed	570	210	-360
Apartment 15-Bed	600	210	-390
Apartment 16-Bed	630	210	-420
Apartment 17-Bed	660	210	-450
Apartment 18-Bed	690	210	-480
Apartment 19-Bed	720	210	-510
Apartment 20-Bed	750	210	-540
Apartment 21-Bed	780	210	-570
Apartment 22-Bed	810	210	-600
Apartment 23-Bed	840	210	-630
Apartment 24-Bed	870	210	-660
Apartment 25-Bed	900	210	-690
Apartment 26-Bed	930	210	-720
Apartment 27-Bed	960	210	-750
Apartment 28-Bed	990	210	-780
Apartment 29-Bed	1020	210	-810
Apartment 30-Bed	1050	210	-840
Apartment 31-Bed	1080	210	-870
Apartment 32-Bed	1110	210	-900
Apartment 33-Bed	1140	210	-930
Apartment 34-Bed	1170	210	-960
Apartment 35-Bed	1200	210	-990
Apartment 36-Bed	1230	210	-1020
Apartment 37-Bed	1260	210	-1050
Apartment 38-Bed	1290	210	-1080
Apartment 39-Bed	1320	210	-1110
Apartment 40-Bed	1350	210	-1140
Apartment 41-Bed	1380	210	-1170
Apartment 42-Bed	1410	210	-1200
Apartment 43-Bed	1440	210	-1230
Apartment 44-Bed	1470	210	-1260
Apartment 45-Bed	1500	210	-1290
Apartment 46-Bed	1530	210	-1320
Apartment 47-Bed	1560	210	-1350
Apartment 48-Bed	1590	210	-1380
Apartment 49-Bed	1620	210	-1410
Apartment 50-Bed	1650	210	-1440
Apartment 51-Bed	1680	210	-1470
Apartment 52-Bed	1710	210	-1500
Apartment 53-Bed	1740	210	-1530
Apartment 54-Bed	1770	210	-1560
Apartment 55-Bed	1800	210	-1590
Apartment 56-Bed	1830	210	-1620
Apartment 57-Bed	1860	210	-1650
Apartment 58-Bed	1890	210	-1680
Apartment 59-Bed	1920	210	-1710
Apartment 60-Bed	1950	210	-1740
Apartment 61-Bed	1980	210	-1770
Apartment 62-Bed	2010	210	-1800
Apartment 63-Bed	2040	210	-1830
Apartment 64-Bed	2070	210	-1860
Apartment 65-Bed	2100	210	-1890
Apartment 66-Bed	2130	210	-1920
Apartment 67-Bed	2160	210	-1950
Apartment 68-Bed	2190	210	-1980
Apartment 69-Bed	2220	210	-2010
Apartment 70-Bed	2250	210	-2040
Apartment 71-Bed	2280	210	-2070
Apartment 72-Bed	2310	210	-2100
Apartment 73-Bed	2340	210	-2130
Apartment 74-Bed	2370	210	-2160
Apartment 75-Bed	2400	210	-2190
Apartment 76-Bed	2430	210	-2220
Apartment 77-Bed	2460	210	-2250
Apartment 78-Bed	2490	210	-2280
Apartment 79-Bed	2520	210	-2310
Apartment 80-Bed	2550	210	-2340
Apartment 81-Bed	2580	210	-2370
Apartment 82-Bed	2610	210	-2400
Apartment 83-Bed	2640	210	-2430
Apartment 84-Bed	2670	210	-2460
Apartment 85-Bed	2700	210	-2490
Apartment 86-Bed	2730	210	-2520
Apartment 87-Bed	2760	210	-2550
Apartment 88-Bed	2790	210	-2580
Apartment 89-Bed	2820	210	-2610
Apartment 90-Bed	2850	210	-2640
Apartment 91-Bed	2880	210	-2670
Apartment 92-Bed	2910	210	-2700
Apartment 93-Bed	2940	210	-2730
Apartment 94-Bed	2970	210	-2760
Apartment 95-Bed	3000	210	-2790
Apartment 96-Bed	3030	210	-2820
Apartment 97-Bed	3060	210	-2850
Apartment 98-Bed	3090	210	-2880
Apartment 99-Bed	3120	210	-2910
Apartment 100-Bed	3150	210	-2940
Apartment 101-Bed	3180	210	-2970
Apartment 102-Bed	3210	210	-3000
Apartment 103-Bed	3240	210	-3030
Apartment 104-Bed	3270	210	-3060
Apartment 105-Bed	3300	210	-3090
Apartment 106-Bed	3330	210	-3120
Apartment 107-Bed	3360	210	-3150
Apartment 108-Bed	3390	210	-3180
Apartment 109-Bed	3420	210	-3210
Apartment 110-Bed	3450	210	-3240
Apartment 111-Bed	3480	210	-3270
Apartment 112-Bed	3510	210	-3300
Apartment 113-Bed	3540	210	-3330
Apartment 114-Bed	3570	210	-3360
Apartment 115-Bed	3600	210	-3390
Apartment 116-Bed	3630	210	-3420
Apartment 117-Bed	3660	210	-3450
Apartment 118-Bed	3690	210	-3480
Apartment 119-Bed	3720	210	-3510
Apartment 120-Bed	3750	210	-3540
Apartment 121-Bed	3780	210	-3570
Apartment 122-Bed	3810	210	-3600
Apartment 123-Bed	3840	210	-3630
Apartment 124-Bed	3870	210	-3660
Apartment 125-Bed	3900	210	-3690
Apartment 126-Bed	3930	210	-3720
Apartment 127-Bed	3960	210	-3750
Apartment 128-Bed	3990	210	-3780
Apartment 129-Bed	4020	210	-3810
Apartment 130-Bed	4050	210	-3840
Apartment 131-Bed	4080	210	-3870
Apartment 132-Bed	4110	210	-3900
Apartment 133-Bed	4140	210	-3930
Apartment 134-Bed	4170	210	-3960
Apartment 135-Bed	4200	210	-3990
Apartment 136-Bed	4230	210	-4020
Apartment 137-Bed	4260	210	-4050
Apartment 138-Bed	4290	210	-4080
Apartment 139-Bed	4320	210	-4110
Apartment 140-Bed	4350	210	-4140
Apartment 141-Bed	4380	210	-4170
Apartment 142-Bed	4410	210	-4200
Apartment 143-Bed	4440	210	-4230
Apartment 144-Bed	4470	210	-4260
Apartment 145-Bed	4500	210	-4290
Apartment 146-Bed	4530	210	-4320
Apartment 147-Bed	4560	210	-4350
Apartment 148-Bed	4590	210	-4380
Apartment 149-Bed	4620	210	-4410
Apartment 150-Bed	4650	210	-4440
Apartment 151-Bed	4680	210	-4470
Apartment 152-Bed	4710	210	-4500
Apartment 153-Bed	4740	210	-4530
Apartment 154-Bed	4770	210	-4560
Apartment 155-Bed	4800	210	-4590
Apartment 156-Bed	4830	210	-4620
Apartment 157-Bed	4860	210	-4650
Apartment 158-Bed	4890	210	-4680
Apartment 159-Bed	4920	210	-4710
Apartment 160-Bed	4950	210	-4740
Apartment 161-Bed	4980	210	-4770
Apartment 162-Bed	5010	210	-4800
Apartment 163-Bed	5040	210	-4830
Apartment 164-Bed	5070	210	-4860
Apartment 165-Bed	5100	210	-4890
Apartment 166-Bed	5130	210	-4920
Apartment 167-Bed	5160	210	-4950
Apartment 168-Bed	5190	210	-4980
Apartment 169-Bed	5220	210	-5010
Apartment 170-Bed	5250	210	-5040
Apartment 171-Bed	5280	210	-5070
Apartment 172-Bed	5310	210	-5100
Apartment 173-Bed	5340	210	-5130
Apartment 174-Bed	5370	210	-5160
Apartment 175-Bed	5400	210	-5190
Apartment 176-Bed	5430	210	-5220
Apartment 177-Bed	5460	210	-5250
Apartment 178-Bed	5490	210	-5280
Apartment 179-Bed	5520	210	-5310
Apartment 180-Bed	5550	210	-5340
Apartment 181-Bed	5580	210	-5370
Apartment 182-Bed	5610	210	-5400
Apartment 183-Bed	5640	210	-5430
Apartment 184-Bed	5670	210	-5460
Apartment 185-Bed	5700	210	-5490
Apartment 186-Bed	5730	210	-5520
Apartment 187-Bed	5760	210	-5550
Apartment 188-Bed	5790	210	-5580
Apartment 189-Bed	5820	210	-5610
Apartment 190-Bed	5850	210	-5640
Apartment 191-Bed	5880	210	-5670
Apartment 192-Bed	5910	210	-5700
Apartment 193-Bed	5940	210	-5730
Apartment 194-Bed	5970	210	-5760
Apartment 195-Bed	6000	210	-5790
Apartment 196-Bed	6030	210	-5820
Apartment 197-Bed	6060	210	-5850
Apartment 198-Bed	6090	210	-5880
Apartment 199-Bed	6120	210	-5910
Apartment 200-Bed	6150	210	-5940
Apartment 201-Bed	6180	210	-5970
Apartment 202-Bed	6210	210	-6000
Apartment 203-Bed	6240	210	-6030
Apartment 204-Bed	6270	210	-6060
Apartment 205-Bed	6300	210	-6090
Apartment 206-Bed	6330	210	-6120
Apartment 207-Bed	6360	210	-6150
Apartment 208-Bed	6390	210	-6180
Apartment 209-Bed	6420	210	-6210
Apartment 210-Bed	6450	210	-6240
Apartment 211-Bed	6480	210	-6270
Apartment 212-Bed	6510	210	-6300
Apartment 213-Bed	6540	210	-6330
Apartment 214-Bed	6570	210	-6360
Apartment 215-Bed	6600	210	-6390
Apartment 216-Bed	6630	210	-6420
Apartment 217-Bed	6660	210	-6450
Apartment 218-Bed	6690	210	-6480
Apartment 219-Bed	6720	210	-6510
Apartment 220-Bed	6750	210	-6540
Apartment 221-Bed	6780	210	-6570
Apartment 222-Bed	6810	210	-6600
Apartment 223-Bed	6840	210	-6630
Apartment 224-Bed	6870	210	-6660
Apartment 225-Bed	6900	210	-6690
Apartment 226-Bed	6930	210	-6720
Apartment 227-Bed	6960	210	-6750
Apartment 228-Bed	6990	210	-6780
Apartment 229-Bed	7020	210	-6810
Apartment 230-Bed	7050	210	-6840
Apartment 231-Bed	7080	210	-6870
Apartment 232-Bed	7110	210	-6900
Apartment 233-Bed	7140	210	-6930
Apartment 234-Bed	7170	210	-6960
Apartment 235-Bed	7200	210	-6990
Apartment 236-Bed	7230	210	-7020
Apartment 237-Bed	7260	210	-7050
Apartment 238-Bed	7290	210	-7080
Apartment 239-Bed	7320	210	-7110
Apartment 240-Bed	7350	210	-7140
Apartment 241-Bed	7380	210	-7170
Apartment 242-Bed	7410	210	-7200
Apartment 243-Bed	7440	210	-7230
Apartment 244-Bed	7470	210	-7260
Apartment 245-Bed	7500	210	-7290
Apartment 246-Bed	7530	210	-7320
Apartment 247-Bed	7560	210	-7350
Apartment 248-Bed	7590	210	-7380
Apartment 249-Bed	7620	210	-7410
Apartment 250-Bed	7650	210	-7440
Apartment 251-Bed	7680	210	-7470
Apartment 252-Bed	7710	210	-7500
Apartment 253-Bed	7740	210	-7530
Apartment 254-Bed	7770	210	-7560
Apartment 255-Bed	7800	210	-7590
Apartment 256-Bed	7830	210	-7620
Apartment 257-Bed	7860	210	-7650
Apartment 258-Bed	7890	210	-7680
Apartment 259-Bed	7920	210	-7710
Apartment 260-Bed	7950	210	-7740
Apartment 261-Bed	7980	210	-7770
Apartment 262-Bed	8010	210	-7800
Apartment 263-Bed	8040	210	-7830
Apartment 264-Bed	8070	210	-7860
Apartment 265-Bed	8100	210	-7890
Apartment 266-Bed	8130	210	-7920
Apartment 267-Bed	8160	210	-7950
Apartment 268-Bed	8190	210	-7980
Apartment 269-Bed	8220	210	-8010
Apartment 270-Bed	8250	210	-8040
Apartment 271-Bed	8280	210	-8070
Apartment 272-Bed	8310	210	-8100
Apartment 273-Bed	8340	210	-8130
Apartment 274-Bed	8370	210	-8160
Apartment 275-Bed	8400	210	-8190
Apartment 276-Bed	8430	210	-8220
Apartment 277-Bed	8460	210	-8250
Apartment 278-Bed	8490	210	-8280
Apartment 279-Bed	8520	210	-8310
Apartment 280-Bed	8550	210	-8340
Apartment 281-Bed	8580	210	-8370
Apartment 282-Bed	8610	210	-8400
Apartment 283-Bed	8640	210	-8430
Apartment 284-Bed	8670	210	-8460
Apartment 285-Bed	8700	210	-8490
Apartment 286-Bed	8730	210	-8520
Apartment 287-Bed	8760	210	-8550
Apartment 288-Bed	8790	210	-8580
Apartment 289-Bed	8820	210	-8610
Apartment 290-Bed	8850	210	-8640
Apartment 291-Bed	8880	210	-8670
Apartment 292-Bed	89		

Honda Power Equipment Co.	27	0	103
Units	27	+1	103
Zoro Div FY	28	0	104
Units	28	0	104
Chp	29	0	26
Zoro Div FY	29	-1	105
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CT Japan	30	+7	30
Garment Power	31	0	101
Zoro FY	32	0	102
Units Per. Apr.	33	+4	103
Warrants	34	0	104
Starbucks Earnings	35	0	105
Warrants	36	0	106
Garment Text Inc.	37	0	107
Chp	38	0	108
Zoro Div FY	39	0	109
Units	40	0	110
Business Round Up	41	0	111
Warrants	42	0	112
Customs Value FY	43	0	113
Zoro Div FY	44	0	114
Barrail Income	45	0	115
Customs Inc.	46	0	116
Chp	47	0	117
Shopped FY	48	0	118
Customs Inc.	49	0	119
Warrants	50	0	120

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City	Pop.	%	1990
Zane Park	179	+2	181
Proctorville	147		147
M & C 2nd Dist. Inc.	140	+6	146
Ward	139		139
Marion	138		137
Mt. Vernon City, Ind.	136	+1	137
Maumee	135		135
Maumee County Area	130	-1	129
Warrick	69	+6	75
Maumee Park	58	+6	64
Warrick	58		58
Maumee Plaza	144		144
Warrick	11	-1	10
Warrick	10		10
Warrick Expo Park	409	+6	415
Marion	408		408
Marion	408		408
Marion	170		170
Warrick	11	+1	12
Marion Ind. Green	82		82
Warrick	11		11
Zane Pl.	135		135
Zane Pl.	178		178
Marion C & T Inc.	11	+1	12
City			183
Mt. Vernon	91		91
Marion Ind. Tel.	51		51
Marion	51		51
Marion	266	+6	272
Marion	266		266
Marion	81		81
Marion	11	-1	10

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yield, plus based on
previous year's average
prospective or other
official estimates for
the current year

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CURRENCIES AND MONEY

MONEY MARKET FUNDS

MARKETS REPORT

Dollar rally continues

A fairly small cut in the German **mark** yesterday helped the dollar and sterling maintain a firm **base** on foreign exchanges, writes **Philip Galloway**.

The US currency was also helped by a story in the Washington **Post** that the Federal Reserve was unlikely to change short-term interest rates until financial markets were calmed.

The Bundesbank cut the **mark** by three **basis** points to 5.73 per cent - in line with market expectations following tighter money market conditions recently.

The dollar closed in London at DM1.7151 against the D-Mark from DM1.7171 on Tuesday. Sterling rose slightly against the D-Mark to DM2.5173 from DM2.4987.

Elsewhere in Europe the D-Mark was generally firmer after a range-bound trading session. The Belgian franc was barely changed after the dollar bank had risen by 10 basis points to 1.36 per cent.

The Italian lira was following signs of dissension in the Freedom **coalition** which won last week's election.

The Washington **Post** story quoted **FBI** officials saying that the market was until markets stabilised and the impact of the **mark** and prices and rise in long term interest rates had been assessed.

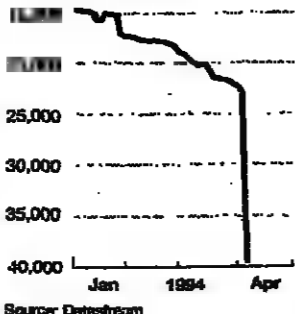
Although higher US rates - nobody is suggesting they will fall - should be dollar positive, the market **seems** to have **adjusted** that **interest** rate **policy** will **calm** the dollar **and** will **calm** the equity **and** bond markets, **strengthening** capital inflows.

Mr David Cocker, currency analyst at **Commerzbank**, said the improved performance of the dollar and sterling - a reversal of last week's **return** - indicated a possible **return** to looking at the fundamentals rather than looking at inflation.

Analysts, however, questioned the durability of the

Turkish Lira

Against the \$ (TL per \$)



Source: Datastream

8	Latent	Prev. close
6 spot	1.4625	1.4840
1 mth	1.4675	1.4620
3 mth	1.4846	
1 yr	1.4882	

WORLD STOCK MARKETS

EUROPE									
Stock	High	Low	Open	Close	Change	Vol	High	Low	Open
Netherlands (Apr 6/7)									
AEX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Germany (Apr 6/7)									
DAX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
France (Apr 6/7)									
CAC	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Italy (Apr 6/7)									
FTSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Spain (Apr 6/7)									
IBEX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Sweden (Apr 6/7)									
OMX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Denmark (Apr 6/7)									
OMX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Norway (Apr 6/7)									
OMX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Finland (Apr 6/7)									
HEX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Austria (Apr 6/7)									
ATX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Belgium (Apr 6/7)									
IBEX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Portugal (Apr 6/7)									
PSX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Greece (Apr 6/7)									
ATX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Ireland (Apr 6/7)									
ISEQ	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Switzerland (Apr 6/7)									
SMI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Japan (Apr 6/7)									
Nikkei	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Hong Kong (Apr 6/7)									
HSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Singapore (Apr 6/7)									
SEI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Australia (Apr 6/7)									
ASX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
New Zealand (Apr 6/7)									
NZSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
South Africa (Apr 6/7)									
JSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Brazil (Apr 6/7)									
BOVESPA	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Mexico (Apr 6/7)									
IPC	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Russia (Apr 6/7)									
RTS	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
India (Apr 6/7)									
SSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
China (Apr 6/7)									
CSI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Korea (Apr 6/7)									
KOSPI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Taiwan (Apr 6/7)									
TSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Thailand (Apr 6/7)									
SET	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Malaysia (Apr 6/7)									
FTSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Indonesia (Apr 6/7)									
JKSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Philippines (Apr 6/7)									
PSX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Vietnam (Apr 6/7)									
HNSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
South Korea (Apr 6/7)									
KOSPI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Japan (Apr 6/7)									
Nikkei	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Hong Kong (Apr 6/7)									
HSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Singapore (Apr 6/7)									
SEI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Australia (Apr 6/7)									
ASX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
New Zealand (Apr 6/7)									
NZSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
South Africa (Apr 6/7)									
JSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Brazil (Apr 6/7)									
BOVESPA	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Mexico (Apr 6/7)									
IPC	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Russia (Apr 6/7)									
RTS	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
India (Apr 6/7)									
SSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
China (Apr 6/7)									
CSI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Korea (Apr 6/7)									
KOSPI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Taiwan (Apr 6/7)									
TSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Thailand (Apr 6/7)									
SET	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Malaysia (Apr 6/7)									
FTSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Indonesia (Apr 6/7)									
JKSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Philippines (Apr 6/7)									
PSX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Vietnam (Apr 6/7)									
HNSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
South Korea (Apr 6/7)									
KOSPI	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00

AFRICA									
Stock	High	Low	Open	Close	Change	Vol	High	Low	Open
South Africa (Apr 6/7)									
JSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Egypt (Apr 6/7)									
EGX	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Morocco (Apr 6/7)									
BMSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Tunisia (Apr 6/7)									
BISE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Algeria (Apr 6/7)									
ALSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Libya (Apr 6/7)									
LIBSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Sudan (Apr 6/7)									
SUDSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Chad (Apr 6/7)									
CHDSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Niger (Apr 6/7)									
NIGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Mali (Apr 6/7)									
MALSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Senegal (Apr 6/7)									
SENGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Gambia (Apr 6/7)									
GAMBSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Sierra Leone (Apr 6/7)									
SLESE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Liberia (Apr 6/7)									
LIBSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Ivory Coast (Apr 6/7)									
ICSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Ghana (Apr 6/7)									
GHSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Togo (Apr 6/7)									
TOGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Benin (Apr 6/7)									
BENSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Nigeria (Apr 6/7)									
NIGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Cameroon (Apr 6/7)									
CAMSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Cote d'Ivoire (Apr 6/7)									
CISE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Upper Volta (Apr 6/7)									
UVSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Mali (Apr 6/7)									
MALSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Niger (Apr 6/7)									
NIGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Sudan (Apr 6/7)									
SUDSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Chad (Apr 6/7)									
CHDSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Niger (Apr 6/7)									
NIGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Mali (Apr 6/7)									
MALSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Senegal (Apr 6/7)									
SENGSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Gambia (Apr 6/7)									
GAMBSE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Sierra Leone (Apr 6/7)									
SLESE	1,200.00	1,195.00	1,195.00	1,195.00	-5.00	1,200.00	1,195.00	1,195.00	1,195.00
Liberia (Apr 6/7)									
LIBSE	1,200.00	1,195.00	1,19						

4 pm close April 6

GET YOUR
YOUR HOME

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NASDAQ NATIONAL MARKET[illegible][illegible][illegible]

Fugate Creek of Colorado's history

9	309	14 $\frac{1}{2}$	13 $\frac{1}{2}$	13 $\frac{1}{2}$	-
1	170	17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$	+
22	66	4 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$	-
0.96	24	3013	50 $\frac{1}{2}$	49 $\frac{1}{2}$	+
0.96	55	2055	37 $\frac{1}{2}$	36 $\frac{1}{2}$	+13

$$\begin{array}{r} 94 \ 2908 \ 53\frac{1}{2} \quad 52 \ 53\frac{1}{2} \quad +\frac{1}{2} \\ 2 \ 1030 \ 4\frac{1}{2} \quad 3\frac{3}{4} \quad 4 \end{array}$$

AMERICA

Dow retreats after midday drop in bonds

Wall Street

US share prices fell back yesterday morning as a sudden drop in bond prices near midday led investors wondering whether Tuesday's rally was only a pause in a continuing retreat by the financial markets.

By 1 pm, the Dow Jones Industrial Average was 11.11 lower at 3,664.75, while the more broadly based Standard & Poor's 500 was down 1.11 at 1,111.11.

Volume on the New York Stock Exchange was moderate, with 175m shares traded by 1 pm.

When the session opened, it appeared that a sense of normality had returned after a day of routs and rallies.

After the previous day's 83-point surge by the Dow - its biggest gain since December 1981 - investors appeared uncertain about the next step.

Prices were mixed, with the blue chips coming in and out of positive territory, while smaller-capitalisation stocks showed moderate weakness as profit-takers capitulated on Tuesday's powerful advance to the Nasdaq.

A sense of urgency returned later as the price of the benchmark 30-year government bond, which had been showing a slight decline during most of the morning, lurched up by nearly three-quarters of a point at midday.

Selling followed news of a weak recovery in the mortgage-backed securities market, which dragged bonds and stocks down that week.

Stocks quickly fell in step with the fixed-income action, but share prices stabilised before another broad sell-off could develop.

Four stocks were responsible for most of the Dow's decline. General Electric fell 1% to \$37, Philip Morris dropped \$1 to \$47, Union Carbide shed \$1 to \$24, and United Technologies lost \$1 to \$64. JP Morgan, up 1% at \$51, bucked the trend.

General Motors was in demand before the release of March sales figures of motor vehicle manufacturers, climbing 1% to \$58, and after JP Morgan issued a "strong buy" recommendation. Ford inched \$1 ahead to \$60 and Chrysler firmed \$1 to \$54.

Promus, a hotel and casino operator, fell 1% to \$17, on heavy volume of 1.2m shares. It was that the company in Missouri had rejected a proposal to allow slot machines in riverboat casinos.

Alcatel rose \$1 to \$11, and Station Casinos fell \$1 to \$11.

Canada

Toronto stock prices advanced early and held at midday. The TSX 300 composite index was up 1.11 at 4,237.37, in volume of 28.1m shares valued at \$1.1bn.

Among individual stocks, Southern was up 1% to \$14, and Maclean Hunter advanced 1% to \$17.

Strength in financial services, oil and gas and utilities offset losses in precious metals, food and pipelines.

Mexico

Equities fell sharply in early trading in Mexico as an increase in domestic interest rates was expected.

The IPC index declined 1.11, or 1.2 per cent, to 2,207.75. Volume was low at 1.5m shares.

The interest rate on the 30-day treasury bill, at Cetes, was lifted by 1.11 percentage points to 14.31 per cent in the central bank's weekly auction. This is the highest level since November 1993.

South Africa was closed yesterday for a public holiday.

EUROPE

Another good day for bourses as oil majors rise

Bourses had a good day overall in spite of easing in the afternoon as Wall Street found it difficult to sustain an early advance.

PARIS kept on the positive track with a rise in the CAC-40 index of 21.97, or 1.3 per cent, to 2,128.22.

Activity was concentrated mainly in oils, as investors reacted to the rise in the price of crude and suggestions that some US investment funds had been switching to oil.

Elf Aquitaine gained FF16.40 at FF394.40 and Total FF16.20 at FF316.50. The shares had been under pressure after reaching highs early in February. Elf has slipped by 11 per cent, Total by 15 per cent.

Alcatel, which pleased with its return in profits in 1993, improved FF9.30 to FF323.60. Alcatel rose FF9.30 to FF323.60, ahead of results, released after close, which were in much as expected.

FRANKFURT showed some enthusiasm for laggard stocks,

and more for the currently fashionable cyclical, as the Dax index rose 32.91 to 2,191.20 on the session, before drawing back to 2,184.89 after hours.

Turnover was reported as thin after Tuesday's DM5.7bn. Among the laggards, Allianz, the insurer, acknowledged a small cut in repo rates and a rise in discount rate next week as it advanced DM2 to DM2,885 for a two-day gain of DM112.

In the same sector, Munich Re went ex-rights worth DM289 a share, and rose a net DM79 to DM368.

In construction, said Mr Matthias Weidner of Merck Bank in Düsseldorf, Hochtief and Hochtief AG had caught the eye of funds looking for recent underperformers, and ready to place their first-quarter inflow. The shares moved ahead DM32 to DM1,092 and DM40, or 4.3 per cent, to DM1,092.

In carmakers, BMW, Daimler and Volkswagen all had respectable gains but they were outperformed by Bayer and Hoechst in chemicals, the former enjoying the second day

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Apr 6	Apr 7	Apr 8	Apr 9	Apr 10	Apr 11	Apr 12	Apr 13	Apr 14	Apr 15
FT-SE 100	1444.22	1445.51	1444.17	1445.73	1445.55	1445.55	1445.55	1445.55	1445.55	1445.55	1445.55
FT-SE 250	1470.22	1469.53	1467.29	1468.76	1467.55	1467.55	1467.55	1467.55	1467.55	1467.55	1467.55

of a big buy order as it moved to DM393.10 after a rise of DM3.60 on Tuesday.

AMSTERDAM built on its performance with a major international stock pulling ahead.

The AEX index finished up 7.41 or 1.8 per cent at 412.81.

The day's activity was helped by the bounce in Wall Street overnight, as well as a solid gain by Royal Dutch which has lost some 8 per cent in value since its year high at the end of January. The shares closed up F1.50 at F1,193.70, with traders putting the gain down mainly to short covering, while it was also seen to be tracking the performance in London of Shell, lifted by the

general improvement in sentiment for oil stocks.

MILAN overcame some early nervousness to resume its advance although Mr Silvio Berlusconi broke off talks on a new government with his right wing allies. The Comit index finished 7.99 higher at 732.62.

Mr Nicola Brasnelli at Akros Sim in Milan commented that investors remained confident a right-wing government could be formed. He said that largely liquid domestic funds continued to buy while foreign investors, still focusing on an improving economic and corporate outlook, were refraining from taking profits after the market's recent surge.

Construction stocks had a

good day on hopes that a new government will boost building and public works. Italcementi rose 1.50 or 3.4 per cent to 1,15.90, Cogefar added 1.14, or 3.8 per cent to 1,2,221 and Calcestruzzo put on 1.553 or 6.8 per cent to 1,13,355.

Telecommunications saw a rare day of profit-taking. Stet retreated 1.38 to 1,4,748 and Sip 1.38 to 1,5,797.

ZURICH was propelled higher by a strong financial sector, the SMI index adding 22.3 to 2,330.1.

CS Holding bearers, the most active issue, rose SF9 to SF9,634 after news that the group had raised its stake in its CS First Boston investment banking affiliate, in response to a request from small shareholders. SBC registered put on SF9,650 at SF9,210 and Winterthur registered firmed SF9,210 to SF9,700.

Brown Boveri moved forward SF9,210 to SF9,1,203: the heavy engineering group said it had won a \$150 power plant order from Iran.

MADRID's general index rose another 3.13 to 322.15 as

Tuesday's favourites maintained their appeal.

Repsol rose Pta125 to Pta4,345 in line with oil stocks around Europe, and Telefonica another Pta1,780 in spite of a debate on tariffs, and the implementation of Spain's policy of opening up its telecommunications sector to an expected wave of foreign competition.

ISTANBUL rose a further 7.7 per cent as the market continued to react favourably to the government's economic measures, announced late on Tuesday. The composite index added 1,358.31 to 18,859.18.

However, while equities strengthened the currency weakened further against the dollar. The Turkish lira was effectively devalued by 28 per cent on Tuesday as the government announced its three-month austerity package, and yesterday the dollar climbed 17,7,500 to end at TL9,500 on the interbank market.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei further improves as regional markets rebound

Tokyo

The sharp upturn on Wall Street and the yen's slight retreat against the dollar moved the Nikkei 225 average moderately higher yesterday, ending at 12,100.00.

The index added 123.83 at 12,100.00, a day's low of 11,976.19 and high of 12,100.00. Institutional investors and foreigners were seen buying, while the overnight advance on the Chicago market also prompted arbitrage-linked purchases.

Technical selling ahead of tomorrow's option settlements eroded some of the gains.

Traders said some investors were still nervous about fluctuations in the New York stock market, while the political situation also kept some people away. The opposition Liberal Democrats have been heightening calls for

Prime Minister Morihiro Hosokawa to clarify his dealings with Sagawa Kyubin, a trucking company alleged to have loaned him ¥100m.

In the latest trial of events, Mr Hosokawa was quoted as saying he would resign on Tuesday, causing an uproar within the coalition and opposition parties.

Volume rose to 1.5bn shares from 2.2bn, with participation from overseas investors returning to the market after the Easter holidays.

Advances led by the Nikkei 225, with 1.1bn shares unchanged. The Toxix index of all first section stocks gained 11.58 at 1,600.41 and the Nikkei 300 put on 1.91 at 3,225.58. In London the ISE/Nikkei 50 index firmed 3.47 to 1,310.81.

Some speculative favourites gained ground on individual buying: Sumitomo Coal Mining moved ahead ¥48 to ¥938 and Honsu Paper ¥48 to ¥768.

Machinery makers, seen as

laggards recently, were firmer. Okuma rose ¥21 to ¥821 and Amada ¥60 to ¥1,160. Textiles were also higher, Toyobo adding ¥19 to ¥470 and Toray Industries ¥30 to ¥695.

Call rate rise hit Nippon Telegraph and Telephone, which declined ¥6,000 to ¥900,000. Earlier this week the cabinet raised worries over the possible negative impact of the planned rise in a number of public utility rates on the sluggish economy.

Foreign selling hurt Fuji Photo Film, which weakened ¥50 to ¥2,130. Some high-techology issues were lower on profit-taking, with Sony losing ¥10 to ¥5,990.

Toyota Motor rose ¥10 to ¥1,990 and Honda Motor declined ¥40 to ¥1,980.

In Osaka, the OSE average closed 277.38 higher at 21,983.79 in volume of 17.6m shares. In spite of the rise in the index, Aoyama Trading, the men's

clothing retailer, shed ¥200 to ¥5,390 on profit-taking.

Roundup

Wall Street's overnight rally provided the impetus for sharp rises in markets throughout the region.

HONG KONG rallied sharply on a technical rebound, although profit-taking pulled prices off the day's highs. The Hang Seng index ended 204.40, or 2.3 per cent, up at 9,234.31, having been 346 points ahead at the morning peak.

Blue chip property shares closed mixed after being propelled by strong bargain hunting early in the day. SHK Properties rose HK\$1.50 to HK\$54.50 and Cheung Kong added 25 cents to HK\$38.75.

AUSTRALIA moved firmly ahead at the opening, the All Ordinaries index testing the 2,100 resistance level for the first time in a week, before the market edged back to finish

34.1 higher on the day at 2,084.1.

BHP surged 38 to \$16.74 and CRA gained 1 cent at \$16.75, while News Corp pulled back from a day's high of \$9.37 to close 3 cents ahead at \$9.15.

SINGAPORE broadly higher, although late profit-taking left prices off their peaks as an uncertain mood continued to prevail.

The Straits Times Industrial index gained 54.08, or 2.6 per cent, at 2,115.57.

KUALA LUMPUR rose 2.7 per cent, the composite index adding 25.20 to 944.51, although doubts were expressed about the rally being sustained.

TAIWAN higher as demand by domestic trust funds for electronics intensified in late business, on expectations of good results to come, although the index in other sectors was limited.

The weighted index rose 1.55 to 1,111.11 in turnover

that expanded to T\$50.02bn.

MANILA surged at the close on a technical rally which took the composite index 47.33, or 1.3 per cent, higher to 2,680.01, although volume was very low.

SEOUL continued the technical advance which began on Monday, although trading remained slow in the absence of fresh factors. The composite index closed 2.67 stronger at 838.04.

NEW ZEALAND rebounded from Tuesday's low for the year, the NZSE 40 capital index moving forward 73.49, or 3.8 per cent, to 2,122.64.

BOMBAY was mildly higher on speculative demand triggered by hopes that foreign investors and Indian mutual funds would soon return as buyers. The BSE 30-share index finished 30.37 firmer at 3,483.72.

KARACHI bounced, prompting expectations of a further rise today. The ESE 100-share index gained 19.83 at 2,432.90.

Argentina lives through trial by fire

By John Barham

Argentina has been one of the worst performing Latin American equity markets so far this year.

Living through its first trial by fire in international financial markets since making the currency convertible, and adopting a fixed exchange rate three years ago.

In March, when the central bank spent a record \$725m - 5 per cent of its reserves - to defend the peso, the Merval share index fell 16 per cent.

This week the Merval index has remained volatile in line with international markets, losing some 2.5 per cent on Monday after recouping a 1 per cent fall the day before.

The unrest in international markets has demonstrated the fragility of funding the Argentine's 1994 external debt, valued at \$10bn to \$12bn.

Recently low international interest rates and strong demand for private company debt issues, may not bridge this gap painlessly.

The turmoil has underlined the precariousness of regulation with brokerages closely supervised. Analysts believe that trading will

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES									
		Dollar terms			Local terms				
		over week			over week				
		on Dec '93			on Dec '93				
Market	No. of stocks	Apr 1	Apr 7	% Change	Apr 1	Apr 7	% Change	Apr 1	% Change
Latin America	(210)	858.21	858.21	-1.8	542,970.69	542,970.69	-5.0	-11.0	
Argentina	(25)	884.85	884.85	-5.0	388,522.129.5	388,522.129.5	-5.9	-292.2	
Brazil	(57)	320.74	320.74	-1.7	37.8	37.8	-0.5	-0.7	
Chile	(25)	561.09	561.09	-5.0	680.25	680.25	-5.4	-0.7	
Colombia	(11)	942.44	942.44	-0.4	1,371.23	1,371.23	-0.5	-0.7	
Costa Rica	(8)	879.58	879.58	-4.3	1,271.47	1,271.47	-3.8	-5.2	
Ecuador	(11)	146.18	146.18	-2.2	104.35	104.35	-2.2	-22.2	
Venezuela	(12)	119.82	119.82	-1.8	1,899.05	1,899.05	-1.4	-93.2	
Asia	(555)	228.15	228.15	-0.0	21.6	21.6	-0.0	-0.0	
China	(11)	100.40	100.40	-7.8	110.48	110.48	-7.5	-32.7	
South Korea	(108)	117.88	117.88	-0.2	124.74	124.74	-0.4	-0.6	
Philippines	(18)	239.80	239.80	+1.9	340.50	340.50	+2.1	-23.3	
Taiwan, China	(80)	117.94	117.94	-1.2	118.99	118.99	-1.2	-12.6	
India	(77)	125.53	125.53	+7.8	138.25	138.25	+7.8	+7.8	
Indonesia	(37)	98.78	98.78	-1.5	116.31	116.31	-1.4	-10.7	
Malaysia	(105)	248.79	248.79	+0.7	248.73	248.73	-0.3	-0.3	
Thailand	(18)	415.58	415.58	-3.7	573.79	573.79	-3.7	-3.7	
Sri Lanka	(5)	197.97	197.97	-0.1	210.91	210.91	-0.3	+10.4	
Thailand	(5)	340.42	340.42	-3.6	341.30	341.30	-3.9	-23.4	
Euro/Mid East	(103)	120.08	120.08	+0.2	28.7	28.7	-0.3	+8.2	
Hungary	(25)	247.92	247.92	-0.8	277.92	277.92	-0.4	-0.4	
Jordan	(13)	170.03	170.03	-3.1	245.19	245.19	-3.4	+2.4	
Lebanon	(12)	880.99	880.99	-22.6	1,230.99	1,230.99	-22.5	+11.5	
Peru	(25)	133.04	133.04	-1.8	159.03	159.03	-0.8	+15.1	
Turkey	(40)	101.91	101.91	+8.9	1,083.54	1,083.54	+11.5	-25.5	
Zimbabwe	(5)	252.54	252.54	-0.3	334.93	334.93	-0.7	-0.7	
Composite	(871)	513.40	513.40	-1.8	11.9	11.9	-0.0	-0.0	

Indices are calculated at end-week, and weekly changes are percentage movements from the previous Friday. Base date: Dec 1993=100 except those noted, which are: (1994) 1991; (2000) 1992; (2001) 1993; (2002) 1994; (2003) 1995; (2004) 1996; (2005) 1997; (2006) 1998; (2007) 1999; (2008) 2000; (2009) 2001; (2010) 2002; (2011) 2003; (2012) 2004; (2013) 2005; (2014) 2006; (2015) 2007; (2016) 2008; (2017) 2009; (2018) 2010; (2019) 2011; (2020) 2012; (2021) 2013; (2022) 2014; (2023) 2015; (2024) 2016; (2025) 2017; (2026) 2018; (2027) 2019; (2028) 2020; (2029) 2021; (2030) 2022; (2031) 2023; (2032) 2024; (2033) 2025; (2034) 2026; (2035) 2027; (2036) 2028; (2037) 2029; (2038) 2030; (2039) 2031; (2040) 2032; (2041) 2033; (2042) 2034; (2043) 2035; (2044) 2036; (2045) 2037; (2046) 2038; (2047) 2039; (2048) 2040; (2049) 2041; (2050) 2042; (2051) 2043; (2052) 2044; (2053) 2045; (2054) 2046; (2055) 2047; (2056) 2048; (2057) 2049; (2058) 2050; (2059) 2051; (2060) 2052; (2061) 2053; (2062) 2054; (2063) 2055; (2064) 2056; (2065) 2057; (2066) 2058; (2067) 2059; (2068) 2060; (2069) 2061; (2070) 2062; (2071) 2063; (2072) 2064; (2073) 2065; (2074) 2066; (2075) 2067; (2076) 2068; (2077) 2069; (2078) 2070; (2079) 2071; (2080) 2072; (2081) 2073; (2082) 2074; (2083) 2075; (2084) 2076; (2085) 2077; (2086) 2078; (2087) 2079; (2088) 2080; (2089) 2081; (2090) 2082; (2091) 2083; (2092) 2084; (2093) 2085; (2094) 2086; (2095) 2087; (2096) 2088; (2097) 2089; (2098) 2090; (2099) 2091; (

DANISH BANKING AND FINANCE

Thursday April 7 1994

The financial sector is changing, but Danish bankers can look back on the last few years with satisfaction. Challenges are the same as elsewhere in the region, but – unlike other Nordic countries – the government has not had to step in. Hilary Barnes reports

Rescued by sound ratios

The financial services sector in Denmark is in the throes of change.

Competition is intensifying as a result of the liberalisation sweeping through the sector in Europe; the banks are moving into insurance and mortgage credit business; the insurance companies are operating their own banks; and there is tough competition from foreign banks for corporate banking business.

Yet, while the challenges are the same as elsewhere in the region, Danish bankers can look back on the last few years with satisfaction.

Losses have been incurred as a result of the recession and the collapse in property prices, but unlike in other Nordic countries, the government has not had to step in with rescue packages for any of the big banks.

The country's banks have been able to avoid the crises experienced elsewhere in the region because of their unusually strong solvency ratios. As a result of these, while the banking sector as a whole has suffered losses not significantly different from the losses in other Nordic countries, it has been able, with a few exceptions, to sustain the burden.

"The worst appears now to be over," says Mr Knud Sørensen, who in addition to being chief executive of Den Danske

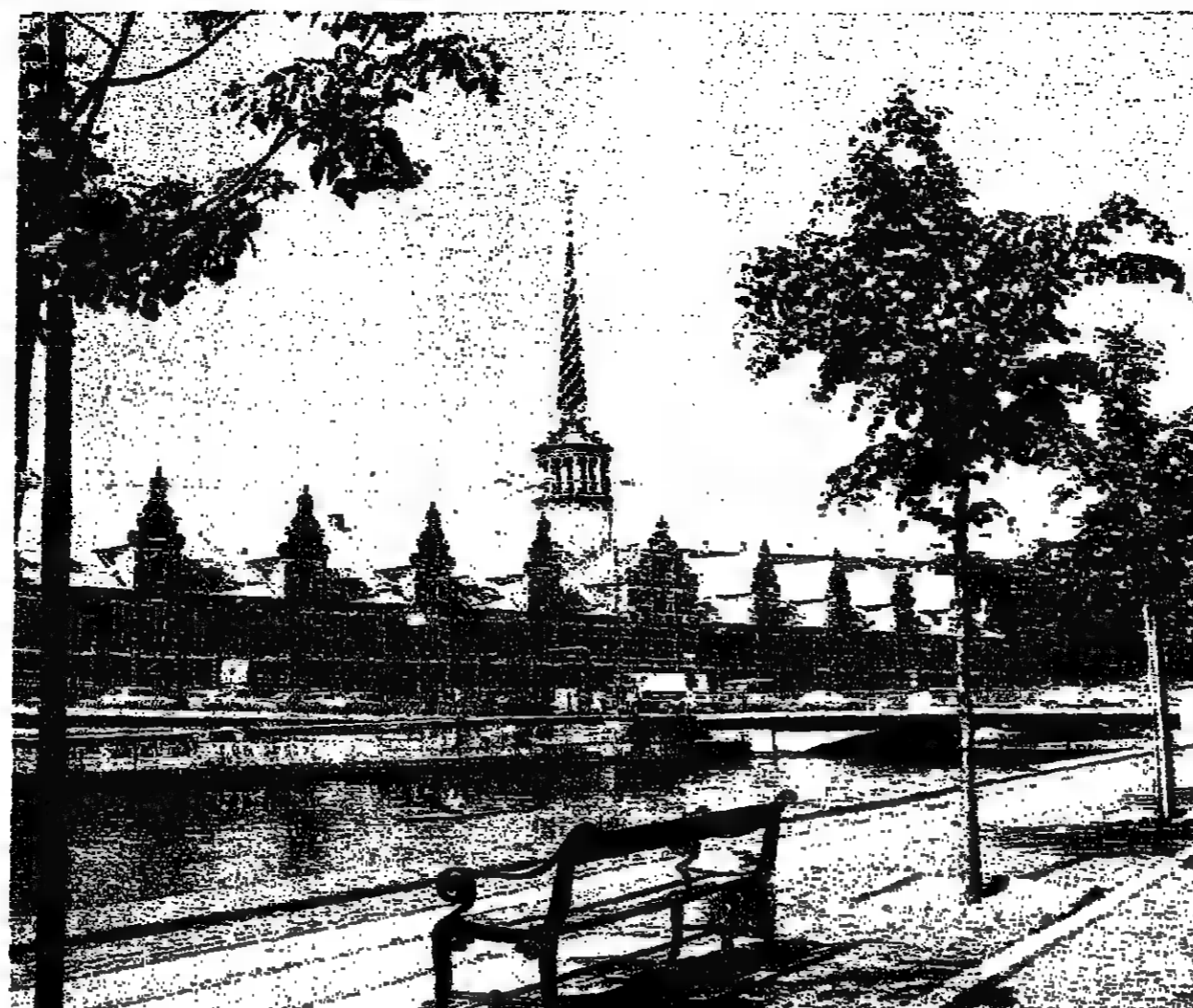
Bank is chairman of the Bankers' Association.

Last year the banks and savings banks together made a profit of DKr6bn compared with a 1992 loss of DKr1bn. There was a similar improvement in the performance of the rest of the financial industry, including the insurance companies and mortgage finance institutions.

This performance took place against the background of a stable but slack economy. The GDP growth rate in 1993, according to preliminary estimates, was well under 1 per cent and demand for bank loans declined slightly. But the economy is also showing underlying strengths. Inflation last year was only about 1.2 per cent, and the current balance-of-payments account showed a surplus of DKr34.7bn, or about 3.9 per cent of GDP. Furthermore, the budget deficit is among the lowest in Europe.

The main cloud on the banks' horizon has been a disagreement arising out of the collapse of a small bank, which has soured the normally good relations with the government. As a result future attempts to rescue banks which are in trouble could be made more difficult.

Sparekassen, Nordjylland (Spar Nord), a Jutland savings bank, claims that in late-night negotiations last August the



The old stock exchange building is a Copenhagen landmark – although more and more of the trade in Danish securities is taking place in London

government promised a tax write-off of DKr1.5bn in return for its taking over most of the assets of a small, local bank, Himmerlandsbanken, which had run into difficulties. The legality of the write-off was subsequently questioned, leading to allegations by Spar Nord that the government had reneged on the promise. The case is currently the subject of a commission of inquiry being held in public in Copenhagen.

Yet, while the financial performance of the banks was better last year, their performance was supported by very large realised and unrealised capital gains arising from the increase in bond and share prices in Denmark and from substantial earnings from currency turbulence last summer.

"Without these special circumstances, return on equity capital would have remained weak and insufficient in the long run to justify the new capital needed for expansion," says Mr Sørensen.

The problems appear to be especially difficult for a group of middle-sized regional banks. They lack the strength to compete with the larger Danish banks or with foreign banks, argues Mr Sørensen.

As Mr Sørensen points out, the challenge which these and other banks, including the strongest, face is how to get their core earnings (excluding windfall profits of the past year) up to a more satisfactory level, and how to reduce costs.

Even with the most favourable conceivable development in the economy, costs in the financial sector are going to be higher than is warranted by future earnings potential.

In an attempt to cut costs, reductions in staff and in the number of bank branches are already being implemented. Attempts to strengthen income are focusing on customer fees, with most of the larger banks announcing new charges for bank transactions this spring.

Intense competition between Hafnia and Baltica in the late 1990s has created a problem for the entire insurance sector. "Competition meant that premiums did not rise sufficiently in 1990 and 1991, and indemnities did," says Mr Bent Knie Andersen, chief executive of insurance company Alm. Brand, and chairman of the Association of Danish Insurance Companies. This year, at last, there has been a general 10-15 per cent increase in premium prices. "This is not pleasant for customers," he says, "but in the long run they, too, are better off if the insurance companies are sound."

Like the banks, mortgage credit institutions were hit by the recession and falling property prices, but they recovered strongly in 1993. They play a much bigger role in Denmark than in most countries, financing most mortgages with bonds issued on the Copenhagen Stock Exchange.

The two largest mortgage credit institutions, Nykredit, (assets DKr417bn), and Realkredit Danmark, (assets DKr382bn), are not only larger than Den Danske Bank, (assets DKr366bn), but among the largest mortgage credit institutions in Europe. They are, however, meeting stiff competition from the banks, which have started their own mortgage credit companies, while they themselves are not permitted to open banks.

This may be one of the next structural reforms to take place.

Following last year's reconstruction, Danske owns 45 per cent of the capital of Baltica; the Hafnia Holding (now known as Gefion) holds 32 per cent; and Codan 14 per cent. Danske is currently trying to find a Danish or foreign buyer or partner for its own and Gefion's holdings. If these efforts fail, Danske itself may have to take on the full ownership of the group.

But, as Mr Jensen points out, this is a delicate balancing act for the banks. Fees could easily reach a level at which customers stopped using the banks' own plastic charge card, the widely-used Dankort, and switched to credit cards.

Yet, while the banks have avoided serious problems up to now, and are confident on building for the future, the same has not been true for another important Danish financial sector, insurance. The industry is still recovering from the losses inflicted on it when the country's then two largest insurance groups, Baltica and Hafnia, collapsed in 1992-93 as a result of ill-judged ventures by the two groups' holding companies.

Hafnia had been trying to gain control of Baltica and, together with Norway's UNI Storebrand, of the Swedish insurance company, Skandia.

When the value of the strategic shares in Skandia which Hafnia held in these two companies fell dramatically in 1992, Hafnia Holding's equity capital was wiped out. Baltica's problems arose from property investments and high-risk property-related lending by Baltica Bank, which was wound up last year.

Hafnia Holding filed for bankruptcy last year, and its insurance and other operations were taken over by Codan, controlled by the UK's Sun Alliance, which thereby became the country's largest company in the insurance sector. It was restructured with the assistance of the Danish Bank, but in the meantime Baltica Insurance is left with an ownership problem.

Following last year's reconstruction, Danske owns 45 per cent of the capital of Baltica; the Hafnia Holding (now known as Gefion) holds 32 per cent; and Codan 14 per cent. Danske is currently trying to find a Danish or foreign buyer or partner for its own and Gefion's holdings. If these efforts fail, Danske itself may have to take on the full ownership of the group.

Intense competition between Hafnia and Baltica in the late 1990s has created a problem for the entire insurance

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DANISH BANKING AND FINANCE II

An official commission of inquiry is due to report later this year on bank rescues

Big banks reluctant to pick up the tab

The Danish commercial and savings banks have usually been able to absorb banks which have run into trouble without much fuss and without depositors or other creditors but the process has gradually become more difficult.

After a long recession and pressure on their own earnings, the big banks are now reluctant to take over banks which are heading for bankruptcy because of incompetent management.

Mr Poul J. Svanholm, chairman of the Danske Bank's supervisory board (the chief executive of the Carlsberg Brewery group) well told Danske's annual general meeting of shareholders in March: "It is unacceptable for our shareholders if we have to pick up the tab for losses incurred by incompetent management at other banks."

Danske is strong enough to pick other banks off the floor, but it already has a one third share of the Danish market. Apart from the question of losses to the shareholders, it does not feel that it should grow larger by acquisitions, said Mr Knud Sørensen, its chief executive. Unidanmark, the largest bank in Denmark, is no more anxious to acquire other banks than Danske, said Mr Thorleif Krarup, its general manager.

Since 1990, according to Mr Eigil Mølgaard, director of

the Danish finance industry supervisory authority, a total of 51 banks has ceased to exist.

Most have been absorbed by other banks. Only four have gone bankrupt. In no case did depositors lose their money, but in the cases when banks

Jutland savings bank, while the rest of the bank went bankrupt.

Varde Bank, based in the Jutland port of Esbjerg, was the country's 10th ranking bank with assets of about DKK12bn.

It is being wound up after

reacted by ruling that in future banks may not lend money to their customers to buy bonds in the customer's own bank. As Sydbank took over more liabilities than assets from Varde Bank, Varde Bank had to pay Sydbank for the acquisitions. This required loans to Varde

The commission is not expected to report until later this year.

In the meantime, an important change has been made in the rules governing the banks' and savings banks' Depositor Guarantee Fund, which may help to smooth the way for bank liquidations.

The fund, which is financed by the banks themselves, guarantees that one with not deposit in a bank if under DKK250,000 will lose money if a bank goes bankrupt. Hitherto, the fund has only been able to guarantee depositors against



Denmark's national bank loans to Varde Bank total DKK4bn

"A bank must be able to go bankrupt. The risk must exist, and it must be clear to managements and supervisory boards, and they must be prepared to take the necessary steps to prevent their bank from collapsing. If the risk is removed, we shall see banks doing some stupid things, to the detriment of the banking sector as a whole and in the last resort to the detriment of the state budget," he said.

He would support a strengthening of the powers of the Supervisory Agency. He thinks, for example, that it may be necessary to give the supervisors powers to dismiss the management and supervisory board of a bank which is heading for bankruptcy and where the management is not doing enough to stop the rot. The debacle at Himmerlandsbanken, another of the banks which well, Spar Nord was

convinced (and so was the public when Spar Nord published a write-off which it received from the government) that it was promised a DKK173m tax-write-off for taking over most of Himmerland's assets.

When the write-off of the deal slipped out, accountants pointed out that while a tax write-off is legal and correct when one company takes over another, a write-off, such as the one Spar Nord is claiming, is not legal when only part of the assets of a company are being acquired.

The possibility that the government had committed a breach of the law of the land prompted a right-wing populist politician, Mrs Kirsten Jacobsen, of the Progress Party, to start a hue and cry against the tax minister, Mr Ole Stavad, a Social Democrat, who approved write-off.

The political life is still in the balance, but the government is likely to postpone a show-down with the opposition. It is up to a commission of inquiry, who said and what during the weekend in August when Spar Nord was the write-off from a government desperate to avoid a bankruptcy and all the complications for local politicians which this would have caused.

Hilary Barnes

Profile: Danske Bank

Prudent lending policy pays off for shareholders

Bank of Denmark's largest banks, Den Danske Bank and Unidanmark, are the result of the merger, in 1990, of the country's two largest banks into two Danish giants.

But there is similarity ends. Unidanmark is merger of Privatbanken, the savings bank, SDBS, and Andelsbanken, has been plagued by heavy losses. The bank is now recovering under the management of Mr Thorleif Krarup, brought in from Unidanmark in 1992, and after a highly successful international equity issue this spring it has been

Danske collapsed in 1920 and had to be rescued by the state

well-placed to take advantage of the coming upswing. Danske is now the Danske Bank, Copenhagen (Danish bank and Providentbanken), on the other hand, has emerged from the recession years as the biggest, strongest and most profitable of the larger banks. Danske's assets at the end of 1993 were DKK242bn, compared with Unidanmark's DKK242bn. Danske made a net profit of DKK2.4bn in 1993 to Unidanmark's DKK885m.

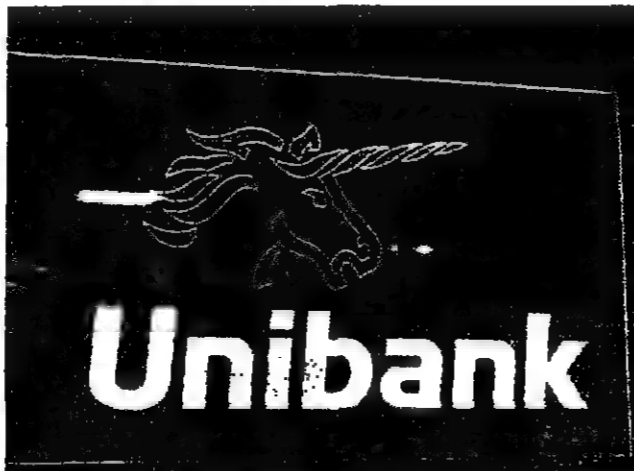
Even more striking is a comparison of profits over the entire recession period, 1987-1993.

Danske made profits of DKK5.7bn, while Unidanmark made losses of DKK2.8bn. Danske's equity capital peaked at DKK22.5bn in 1989, slipping to DKK20bn in 1993. Unidanmark's peaked at DKK18.6bn in 1989 and was down to DKK11.5bn at the end of 1993.

The difference lies in their respective lending policies. Danske (when it was known as Landsmandsbanken) collapsed in 1920 and had to be rescued by the state. It appears to have been permeated by a conservative ethos ever since.

This has shown up in the low provisions as a percentage of loans and guarantees, which peaked at just over 1 per cent in 1990 and fell to 1.4 per cent in 1993. Unidanmark's peaked at 4.1 per cent in 1992 and were down to 3.1 per cent in 1993.

With a 35 per cent share of the domestic market (measured by assets), Danske does not wish to become larger - except by organic growth - according to its chief executive, Mr Knud Sørensen. But the bank is not, therefore,



Unibank plagued by heavy losses

without ambitions. Mr Sørensen scheduled himself at a banking conference held in Copenhagen recently by business newspaper Børsen, when he declared:

"With regard to new business, insurance and mortgage credit, we see no reason why, over a period of years, we should not obtain a market share which is equivalent to our share of the banking market."

Mr Sørensen says that by

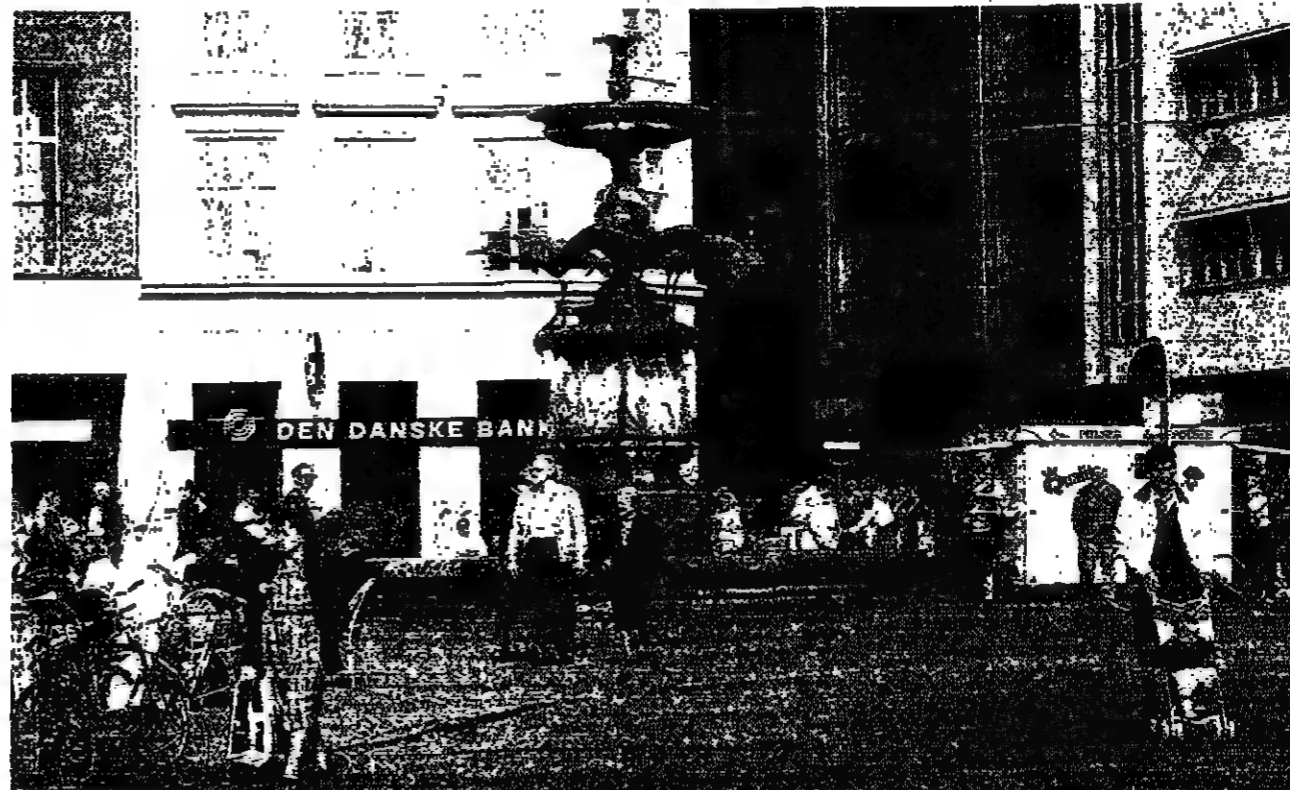
this he also meant organic growth, and he was intending to say that Danske plans to take over the Baltic insurance group, although he does not rule that out.

If other buyers for Danske cannot be found, Danske may land in Danske's unwilling lap.

Barring acquisitions, Danske has a long way to go to win a one-third market share of either insurance or mortgage credit. Its market shares in accident insurance, life and pension insurance, and mortgage credit are still under 1 per cent.

Nevertheless, the bank's insurance and mortgage credit operations do have two wholly-owned insurance companies, a life and pension company, as well as a general insurance company jointly owned with Unidanmark. Danske - together with the other larger banks - is meeting competition for its customers' money by offering customers the opportunity to do insurance and mortgage financing with the bank.

(The insurance companies, of course, are doing the same, setting up banks in order to attract savings from their insurance customers.) Mr Sørensen's message was an interesting exposé of the bank's basic approach to business - a contribution to the growing literature which



Den Danske Bank emerged from the recession years as the biggest, strongest and most profitable of the larger banks



Knud Sørensen: Baltic may land in Danske's unwilling lap

with exception to the strategic planning approach to business management.

"The world is unpredictable, and Mr Sørensen. "Instead of plans, which can never be kept, we try to maintain a permanent preparedness to change... to react constructively to unexpected developments, exploit opportunities which suddenly appear."

But, he went on, there

only one form of growth that interests the bank: growth in profitability, with net profits as a return on capital of about 10 per cent as a financial level.

The bank achieved a return on equity last year of 11 per cent. "But I am afraid to say that in 1994 and the immediate years to come we cannot expect to obtain a return of anything like the same level," he said. "A given level of business, including the number of branches and staff, is in principle only desirable if it brings a satisfactory return on the capital which our shareholders have made available to us," he said.

It may sound routine to Anglo-Saxons, but it sounds notably hard-headed to Scandinavian ears, where the shareholders are often balanced against the employees and the community at large.

Hilary Barnes

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Jyske Bank discloses more than expected

Points scored

Jyske Bank, the Jutland-based bank which has the country's fourth largest assets of about DKK56bn, has long enjoyed the role of provocateur, losing an opportunity to make verbal points off the big Copenhagen-based banks.

It has done it again this year. It has defied the recommendations of the Bankers' Association and the Finance Supervisory Authority by disclosing much more information about the bank in its 1993 annual report than the supervisors recommend or other banks disclose.

There was just a touch of senior manager at Jyske Bank, who pointed out that such more extensive disclosure practices by the Swedish banks and not helped since then or the investors to foresee the difficulties which the Swedish banks met in 1991-92.

The problem is not so much a general desire to restrict disclosure, however, as the argument that the banks should first agree on what to disclose and to ensure that the criteria for the information disclosed means that like can be safely compared with like.

The problem is a long-standing one, and the Bankers' Association and the Supervisory Authority are still working towards acceptable standards.

Individuals which is not normally disclosed by banks include the size of non-performing loans, the size of the contingency reserve (the



Kaj Steenjaer, Jyske's biggest shareholder



Leon Rasmussen, Jyske's chairman: bottom line improved

sum of past loss provisions after deduction of realised losses), lending by business sectors, and a detailed analysis of credit policy and market risks arising from changes in interest rates, foreign exchange gyrations, share price movements, and liquidity risks.

"I'm blown if I can see why we shouldn't tell our own shareholders and customers as much as Unibank has to tell foreign investors," said Jyske's chief executive, Mr Kaj Steenjaer, when he presented his bank's 1993 annual report at the bank's headquarters in the

mid-Jutland town of Silkeborg.

The report contains all the above information and more, and received an accolade on the same occasion from the bank's biggest shareholder, representative of the ATP National Labour Market Pension Fund, for its efforts to improve transparency and informative value of its own disclosures.

Jyske demonstrated the success of its convictions by increasing disclosure at a time when it is still carrying heavy loss provisions, rather than waiting a year when everything would be wonderful.

Like all the banks, the bottom line improved last year. Jyske made a profit of DKK919m, a loss of DKK919m. Loss provisions were cut to DKK1.25bn from DKK1.25bn in 1992, while realised and unrecognised gains on securities amounted to DKK1.25bn against a loss of DKK7m in 1991.

The bank's capital adequacy ratio is strong, with tier one capital at 8.1 per cent of risk-weighted assets and total capital adequacy ratio at 10.9 per cent.

But non-performing credits, which were under 2 per cent of loans and guarantees in 1993, climbed to 4.10 per cent from 3.4 per cent in 1991.

Loss provisions were still a relatively high 3.2 per cent of loans and guarantees, though down from a peak of 3.1 per cent in 1991. We also now know that Jyske Bank always has DKK1.25bn in liquid assets on hand to cover day-to-day needs, or about five per cent of deposits.

At the end of last year it had liquid assets on hand to cover a period of 11 weeks in a worst case situation, when no deposits were renewed. The message is clear: there's no need in rush.

Hilary Barnes

Venture Capital

Funds for starters

The specialty of Mr Michael Mathiesen, a young Danish venture capitalist, is making young companies grow, and he is only 34 - he already has several companies in his portfolio, writes Hilary Barnes.

In terms of the capital available, Mr Mathiesen's operation is minute, but he thinks that the size of the capital available is more important than the concept of venture capital which he is introducing in Denmark, arguing that many venture capital companies have not found their starting point in the home market.

Mr Mathiesen began his career when, and yet he is a business school (which he completed), he founded a company, Dato, in 1983 to produce a local area network gadget, which enabled firms to network computers made by different manufacturers. In 1988 Dato was sold for DKK400m, with a sizeable proportion of the proceeds going to Mr Mathiesen.

He subsequently set up a venture capital fund, 2M Invest. Among 2M Invest's other owners are the large, trade-union controlled fund, the LD Fund, and the Association of Danish Engineers' Investment Fund.

The object of 2M Invest is to provide seed-funding to new companies, but before he set the company up Mr Mathiesen first took a look at the venture funding works in the US and why it does not work well in Denmark.

The problem with European venture capital companies is very clear: they do not know enough about the industries in which they are investing, he says.

Second, the venture capital companies often have large sums of money available, but limited management resources. A gap develops between the venture capitalists and the

companies they are supposed to be nurturing, with the venture capital managers trying to keep an eye on far too many companies.

The fact that the venture capital companies - and it applies with even greater emphasis to pension funds - often have very large sums of money available also means that they do not have time or resources to invest in small companies, so seed-funding of promising new companies is a neglected area.

With 2M Invest, Mr Mathiesen aimed to overcome these problems.

The fund only invests in companies in the information technology industry "because that is what we know about," says Mr Mathiesen. "All over the world of industrial experience, all over the companies in the respect us".

The portfolio, currently four companies, will be limited to 10 or 12 companies, so that each manager is supervising the progress of only three or four companies and has time to do more than just look at the financial data.

"We have other venture capital companies that are being set up enough in the process, so we must be," he said.

Other criteria for 2M Invest's investment are that the target company must own or partly own its technology, the technology must have a global appeal, and must be on the brink of a rapid growth in sales.

2M Invest expects to take companies from the start-up phase to a turnover of DKK10m, at which point they would become the target for acquisition or go public.

The companies in its portfolio include three well-known American. The Danish companies are Scanview, which manufactures image sensors and scanners for the graphics industry. It was founded in 1980. Turnover last year was about DKK100, and budgeted turnover for 1994 is DKK175m. Mr Mathiesen sees Scanview as a candidate for a Nasdaq listing in a year or two.

Hypercom is a Danish-British company set up in 1985 to produce and develop software and hardware for multimedia broadcasting, a company which, Mr Mathiesen believes, has "gigantic potential".

Hypercom is providing the software for a new service by which CNN will broadcast live financial news using a tele-text application enabling the user to be received on a personal computer.

RadioMail was founded in 1987 and has a turnover of DKK10m.

The company is part trading company in electronic communications, part development company with a team of design engineers who develop special components for applications by electronics companies. A turnover of around DKK10m within three years is predicted by Mr Mathiesen.

RadioMail is a joint venture between its American founder, Mr Geoffrey Goodfellow, and Mr Mathiesen.

RadioMail provides the software for a wireless-based electronic mail system. Using a pocket computer and a two-way wireless device, which comes in a slip-up case about the size of an airport paperback, users in America can send and receive messages and documents from anywhere at any time.

The first RadioMail service base in Europe will be opened soon in the Netherlands. RadioMail won the Mobile Award of the Year prize at the San Jose, California, Mobile '93 exhibition in March. With only DKK10m, says Mr Mathiesen, it is an exciting future.

Finally, through a second investment company, Eastern Business Investments, Mr Mathiesen has set up a company in St Petersburg, Russia. It manufactures metal components for export to western Europe, with the sales and marketing function taking place from Copenhagen.

The company was opened just a year ago and the RadioMail production and Danish marketing concept is working, says Mr Mathiesen.

"The company is beginning to fly," he says.

Profile: Laan & Spar

Technology helps build bridge to the future



The diskette is run on a personal computer and is distributed to existing and potential customers. Later this year in August, L&S plans to introduce its own home banking system on diskette.

Before the bank's transformation, the bank's profitability and capital base were weak. Mr Schou has introduced a very tight management policy permitting only limited currency dealing - foreign exchange currency is limited to buying/selling of travel currency - and interest risks.

A structure was designed around the corporate leadership which would implement the bank's changes. "The management should be participative management. The organisation itself should develop the process and changes on a continuing basis," Mr Schou explains.

This strategy was very successful and the profitability of L&S allowed the bank to undertake the change in its ownership structure in the following

year. "The average interest margin has been lowered to three per cent from 10 per cent and, at the same time, inflation, production, credit and sales have been reduced. This has led to bigger volumes and increased profitability," Mr Schou explains.

L&S' capital base grew by more than 100 per cent through the share issue. The company's new management concept was launched publicly. The bank's new management have indicated two main intentions: to achieve a big return on possible on the capital while they arrived and to maintain a decisive influence over the bank after it became listed on the stock exchange.

Last year the bank's management and the new management merged into a unified management programme. As the bank's management formed into local direct banks which could attract their regional markets while offering the same prices as the regional branches.

In 1973 Discount and Advance Payments Bank, as it was known, failed in its first attempted launch on the stock exchange. According to Mr Schou, a small circle of civil servants sought to benefit from attractive market conditions to raise capital for lending activities directed towards their work.

The result was dismal. The bank raised just DKK40,000. Seven years later it merged with a thrift society. This month, L&S raised an estimated DKK130m in addition to the bank's previous and to see its first trading day on May 6 on the Copenhagen stock exchange.

Until last year the level of the bank's activity was relatively stable and it did not experience any real growth until during the period 1988-90 when it achieved a profit of DKK1.4bn and was ranked number 17. Following the management change and restructuring of the bank, L&S has improved its ranking to number 14 and its assets have grown to DKK4bn.

The first wave by the new management team was to attempt to turn L&S around. But this was not the start of a revolution. "The missing profitability and capital base clearly showed that everything had to be changed," according to Mr Schou.

But the turnaround had to be maintained in view of the fact that the bank had to

for L&S to attract fresh capital until profitability and productivity could be documented over a period of a number of years.

Although a few of the bank's competitors have sought to imitate L&S none have managed to offer the same mix of distribution entities. The imitations are purely telephone banks, he maintains.

"Laan & Spar sees the mix of branches and the centrally-placed direct branch as a bridge to the future. We believe that customers below 50 years of age will get used to the direct bank (concept), while customers beyond 50 years of age will be reluctant to become direct customers," he said. The most profitable private customers remain however, those older than 50.

This new L&S distribution and production systems are being trimmed further and efforts have been directed towards quality improvements while maintaining price competitiveness.

Earlier this year the bank's competitors introduced new fees, but L&S was able to maintain its four-year-old fee level due to the success of the streamlining concept.

The bank has budgeted a 1994 pre-tax profit of DKK52.7m against DKK62.5 in 1993. The decline is mainly attributed to an increase in costs due to expansion of production capacity and a fall in net interest income due to a drop in interest levels from 1991 to 1994.

L&S's future strategy is to maintain its ability to attract large investments in information technology and to reduce, to maintain and develop motivated and committed employees, to maintain its ability to listen to its customers and the capability and quality of the management in managing a company undergoing changes.

Karen Foss

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DANISH BANKING AND FINANCE IV

The country's distinctive mortgage credit system has survived a turbulent economic period, says Hilary Barnes

Three biggest groups back in the black

Securitised mortgages have been a feature of Denmark for years, and "no mortgageholder has ever lost his money in the 200 years the system has existed".

Mr Lars Rohde, a member of the management board of Realkredit Danmark, changed its name from Kreditorfinans Danmark in 1993, one of the three largest mortgage credit groups.

The Danish mortgage system is unusual. Virtually all mortgage financing is done through the bond-issuing institutions. These were until recently self-owned, but they have been converted into limited companies.

The holding companies in the mortgage groups, however, continue to be owned by the borrowers. The companies are not listed on the Stock

Exchange but the bonds they issue are listed on the Copenhagen Stock Exchange.

Nearly all financing is done through the bond-issuing institutions.

Stock Exchange. The system functions efficiently because it is supported by an infrastructure of a kind which does not exist in many other countries. There is an official property

registration and mortgage registration system (covering not only mortgages but also private mortgage notes, known as "pantebreve").

This infrastructure means that there is a quick and legally simple means of reclaiming property if the mortgage defaults.

Ownership is always known, and there are no privileged liabilities which are unregistered and therefore unknown to the lending institutions, as Mr Rohde explained.

Funding and loans by the mortgage credit groups are matched: 30-year loans are matched by 30-year bonds. There is no mismatch, "which gives the system stability", says Mr Rohde.

Nevertheless, the mortgage finance institutions are just emerging from a turbulent period, on which Mr Rohde's judgment is: "We survived." The combination of moving from high to low inflation in the late 1980s and the mortgage crisis which began in 1987 had a dramatic impact on the mortgage credit institutions as

it did on the banks. As commercial and residential property prices collapsed, the level of defaults and executive auctions assumed a scale which

There is a quick method of reclaiming property if the owner defaults.

was as bad as anything experienced in the 1930s.

There was no question of the mortgage institutions going bust, but at the peak of the crisis a situation was reached

when it appeared that the institutions would no longer have the capacity to raise new loans. Drastic action was called for to put the institutions back into shape.

Realkredit Danmark has cut its staff by 35 per cent since 1990, tightened its credit policy to avoid new losses, and increased the margin (between what it actually raised and what it lends to the householder) on its loans. The other institutions have taken similar measures.

Last year brought relief. The three largest groups were back

into the black. Realkredit Danmark turned a 1992 loss of DKK1.28bn into a profit of DKK1.47bn. Nykredit moved from a very small profit of DKK46m to a profit of DKK1.32bn.

They continue to move high - by the standards of mortgage credit - loss provisions of around 0.7 per cent of lending, but property prices have begun to rise and the mortgage market is turning up. The mortgage credit level of bad provisions will begin to fall.

Falling interest rates in 1993 opened the way for mortgage institutions to refinance loans at lower rates. Realkredit Danmark is now refinancing loans at nine to 11 per cent with coupons of six and seven per cent, which brought on the mortgage companies enormous profits.

The launch of a new series of 30-year bonds with a six per cent coupon was also popular with the markets and created a market of highly liquid securities in which there was a substantial foreign interest. From the point of view of foreign investors, however, mortgage bonds carry a number of disadvantages, compared with other bonds.

The mortgage bonds are not bullet, which means that they are not callable. On the other hand they carry a spread of up to 100 basis points (a basis is one hundredth of a percentage point) over treasury bonds.

A further problem is that mortgage credit groups have not yet been rated by the international rating agencies, which is a requirement for the big institutional investors.

will consider buying institutional securities. In the meantime, the mortgage institutions are becoming interested in international funding, which is the general globalisation of the Danish financial system.

The Danish institutions used to be subject to a rule that they had to be matched by loans liabilities, but this straitjacket has been removed. The Danish institutional investors take up the bulk of the mortgage bond issues, are diversifying into foreign securities, and Mr Rohde, "so we have a natural desire to sell internationally".

At home, the mortgage credit institutions are meeting

The three largest mortgage finance groups by lending (1993)

Nykredit DKK9336bn
Realkredit Danmark DKK295bn
Byggekredit Realkredit DKK125bn
Fond DKK125bn

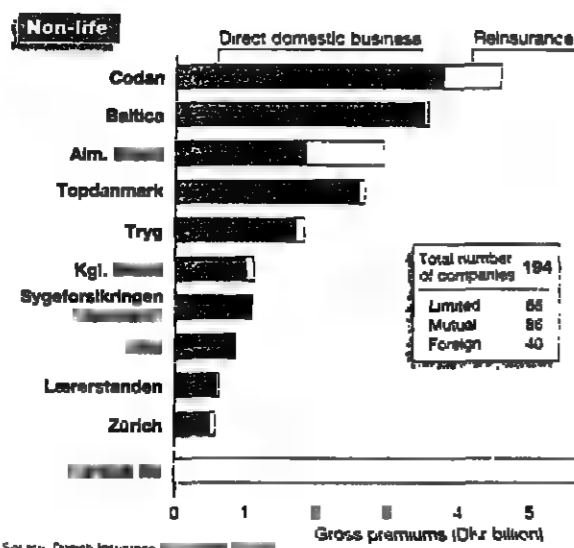
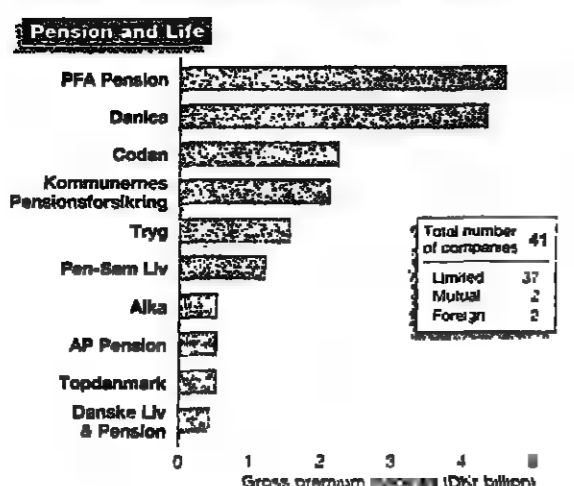
(Source: Financial Times)

competition from the banks. Dan Danske Bank and Unidanske Bank are the two main competitors. Last year, which was a year to keep funds within the group, the banks have moved into the old-established mortgage credit business, and Mr Rohde has kindly put it: "They have cannibalised their own lending."

Current legislation does not allow the mortgage credit institutions to reply in kind by setting up banks themselves, although the insurance companies, for example, are allowed to operate banks or subsidiaries, and do.

The mortgage credit institutions are now pressing for a change which will put them on a competitive footing with the banks and insurance companies.

The largest insurance companies 1992



Ownership of Baltica remains to be decided, writes Karen Fossli

Rescuer holds key to future

For more than a year the ownership structure of Baltica Forsikring, Denmark's biggest insurance group, has been shrouded in uncertainty. Because of this, Mr Hans Eivind Hansen, chief executive, has been constrained to focus on medium-term strategies for the company and to restrict its focus to basic insurance operations as to sharpen Baltica's domestic competitive edge.

The insurer was saved from collapse last year by a complex rescue package.

The insurer was saved from collapse last year by a complex rescue package.

collapse last year by a complex rescue package in which Den Danske Bank, Denmark's largest bank, emerged as Baltica's biggest shareholder with a stake of 32 per cent. However, DDB's stake in the company is more than 50 per cent when taking into account a 24 per cent shareholding held by Gefion, Baltica's former holding company, whose main creditor is DDB.

"We all know that Den Danske Bank holds the key to our future but we have to try to maximise our attractiveness

as much as possible and not to stop making decisions," Mr Hansen said. Possible future ownership plans have ranged from the company becoming independent, to DDB acquiring Baltica, to the UK's Sun Alliance - acquiring part of the business, to Skandia, Sweden's biggest insurer, becoming the new owner.

The Scandinavian insurance industry is still recovering from a series of dramatic collapses.

The bank has said that it intends to clarify its intentions for Baltica during the first half of this year, but Mr Hansen, who is also a former DDB deputy chief executive, is less than optimistic that the company's ownership structure will be clarified within the time frame.

Given the recent turmoil within the company and within the Scandinavian insurance industry, Baltica's employees have learned to shrug off rumours about their future. "Their morale has been surprisingly high, considering they have been through so much. I tell them it is realistic

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FT Surveys

سكربت الامل

There is increasing international interest in Danish securities, both bonds and equities, but there is a catch: from the Danish perspective.

More and more of the trade in Danish securities is taking place in London. Accurate statistics are hard to come by, but in some periods about half the turnover in Danish bonds appears to have taken place outside Denmark, as well as a considerable amount of the trade in the most liquid equities.

The Nationalbank (Central Bank) is clearly concerned at the trend, asserting in its 1993 annual report, published in March, that without reform of the market, "there is a risk that the Danish securities market will become of declining significance in the face of strengthening international competition."

One of the reasons why trade is taking place in London, in the bank's view, is that non-residents cannot trade over the Copenhagen Stock Exchange unless they are physically present in Denmark.

The bank recommends a general liberalisation of legislation covering this aspect of the financial markets, to "achieve the right for non-residents to trade in the Copenhagen Stock Exchange."

Reforms of the Stock Exchange are currently being considered by an official commission, due to report this autumn, with a view to the implementation of the EU's investment services directive in 1995.

There is a lively debate taking place between the various interested parties - the big banks, the independent brokerage houses, the bond-issuing institutions, and the institutional investors - on what changes are needed.

One of the problems, said Mr. H. Pedersen, partner in investment

An official commission, scheduled to report this summer, is considering reforms of the stock exchange in line with the EU financial services directive, writes Hilary Barnes

Drift of trade to London causes concern



The old stock exchange is a building as picturesque as any in Copenhagen

bank Gudme Raaschou, a former chairman of the Association of Danish Stock Brokers, is that the set-up in Copenhagen currently favours the two big banks.

They account for about 60 per cent of the transactions, and for

trade in the very liquid securities, not least a lot of illiquid securities, bonds and shares. "We want to keep the market alive," he says.

He has been looking at reforms of the Amsterdam Stock Exchange,

which had a similar problem of trade going to London, but has managed to reverse the trend by changing the structure of the market, allowing non-resident brokers to trade over the Amsterdam Stock Exchange and by establishing

separate wholesale and retail markets.

Making changes is a difficult process in Copenhagen, where the Stock Exchange and its related institutions, the Securities Registration Centre and the Guarantee Fund for Options and Futures, operate under legislation which gives the Stock Exchange a monopoly. The supervisory boards of the institutions, in principle self-owning, are appointed by the Ministry for Industry.

The present set-up means that the Stock Exchange mixes commercial with administrative and regulatory tasks. "We think it is a necessary condition for a stock exchange to function as a market place that it must be run on a commercial basis," said Mr. Kai Struwe, secretary-general of the Association of Danish Stockbrokers. But he said that, as Denmark does not have the London market's system of self-regulation, the debate on freeing the Exchange to operate on a strictly commercial basis will be a difficult one.

Copenhagen now offers trade in a full range of derivatives, as well as in Danish and foreign shares. A future on the 3-month CIBOR, introduced last autumn, added a money market derivative to a selection of stock options and futures based on benchmark bonds and the DJIA index of the 10-most traded shares. A feature of Copenhagen is that all these

instruments are traded on a single exchange.

The Danish market was the first in the world to abolish securities and introduce a fully electronic book entry and settlements system, starting with bonds in 1988 and shares in 1993. Electronic registra-

Stock exchange turnover (DKr bn)

Market	1993	quarter
Bond	(nominal value)	3,743.417
Volume in circulation		1,919.675
Equity	(market value)	2,359
Volume in circulation		1,919.675
No of equities		595
Futop, bond-related		351,810
share-related		12,358

Source: Copenhagen Stock Exchange

tion of foreign securities has been possible since 1989. Automatic trading systems were introduced in 1987. Decentralised trade - from broker's offices - became possible in 1990 and the floor of the Copenhagen Stock Exchange was closed in 1991.

Technically speaking, the system has worked extremely well, and not every day is satisfied with the rules of the system. It embodies an extreme degree of transparency, with a 90-second requirement between making a deal and reporting it to the Securities Centre. This,

said Mr. Struwe, exposes a big position as to whether or she has no way of getting out of the position without the entire market knowing that he must trade may have to London simply because there is a greater degree of anonymity.

The Copenhagen market is dominated by bonds. "We are one of the most exciting markets in Europe," said Mr. Struwe. A substantial share of the benchmark treasury bonds are traded internationally. Last year the introduction of 30-year mortgages attracted international investors and on April 1 a 30-year treasury was launched.

The Copenhagen equities market is relatively small, and only around five per cent of the shares listed in Copenhagen are held by non-residents. In the other Nordic countries somewhere between 20 and 30 per cent of the shares are foreign-owned.

Interest in Danish equities may be picking up, however. The KPM Tele Danmark privatisation was taking place in April, and part of which is expected to be sold internationally, will introduce a new and liquid share.

The DKr1.7bn international issue by Unidamark in February was a further sign of the times. It was the first time that a Danish bank has launched an international issue. Mr. Thorleif Krarup, Unidamark's chief executive pointed out, and the issue, at market price, was oversubscribed four times. Mr. Krarup was particularly encouraged by the considerable interest in the issue in France and Germany in contrast to the UK and the US.

"If Danish companies make a systematic effort, they can make Danish shares more interesting and more liquid," is Mr. Krarup's conclusion.

Profile: Gudme Raaschou

New ways to earn money

The name of Gudme Raaschou has been appearing increasingly often, as co-manager or adviser on prestige Danish equity funding issues such as last autumn's privatisation issue by Giv Bank and last month's Copenhagen Airport privatisation issue.

The emergence of the Raaschou name (pronounced - approximately - "Ross-coo") is the story of a traditional brokerage business which saw the writing on the wall when the comfortable monopoly enjoyed by brokerage businesses in Denmark was shoved aside in 1986 and banks were allowed to set up their own brokerage subsidiaries.

"We had to have new business to ride the storm," Mr. Raaschou says. "Brokerage alone would not keep it going."

and only a handful of independent brokers have survived.

"When the market collapses, either you need a new mode or you find new ways of earning

money," says Mr. Raaschou. He did the latter. We had to have new business in order to ride out the storm. Brokerage alone would not keep it going."

Mr. Raaschou and his partners at Unidamark, Mr. Egon Pedersen and Mr. Hans J. Jensen, mapped out a strategy to turn the traditional broking business, founded in 1925, into a combined investment bank and broking group.

Mr. Raaschou played a key role in the transformation process.

He arrived at Unidamark in 1986 from NORDISK (now Nordisk), his pharmaceutical group where, as finance manager, he pioneered the first international equity issue in modern times by a Scandinavian company.

The position which Raaschou has tried to exploit is its ownership, of other market participants. It is not committed to any particular source of funding and its own financial involvement is typically limited.

As organised today, Raaschou operates on the broker's side in Danish shares and bonds and foreign securities.

Its investment bank operations include portfolio management, corporate finance and international capital markets (non-equity borrowings), and advice and consultancy in all these fields.

The two sides of the business complement each other. "We are always in the market, so we know what is going on," says Mr. Raaschou. Raaschou has raised about

DKr10bn over the past two years - "which is quite a lot for a little company."

Typical amounts raised are in the DKr300m-500m range. A considerable proportion of the money raised by the company has been for non-Danish Scandinavian companies. This side of the business is expected to become increasingly important.

Raaschou has just recruited Sweden's Mr. Hans Cavall-Bjorkman to the supervisory board. Mr. Cavall-Bjorkman is a former chief general man-

ager at Skandinaviska Enskilda Bank, which is in Malmö, just across the water from Copenhagen. He is a strong advocate of close business and economic relations between the southern Swedish and Copenhagen regions. A board member of many of the big local Swedish companies, Mr. Cavall-Bjorkman is some-

Raaschou earns about half his income from investment banking, and the change was not smooth.

He moved to the Swedish media as the king of Malmö. Raaschou has made something of a coup.

Raaschou is now earning about half its income from

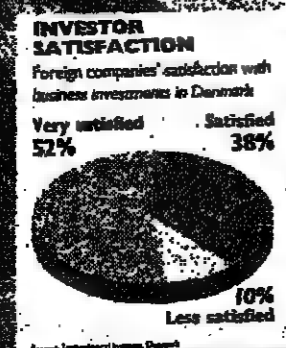
investment banking, and the change from brokerage to investment banking was not always smooth. "It was not always easy to balance the dips in brokerage earnings with earnings from investment banking. We had a few sleepless nights along the way," says Mr. Raaschou.

In the process, the company has undergone a complete change. Almost all the staff have changed since 1985. The education level is much higher, Mr. Raaschou says - a necessary requirement for a company which has made its name in several complex mergers and acquisitions and corporate restructuring operations as well as capital market issues.

Hilary Barnes

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DANISH BANKING AND FINANCE VI

Hilary Barnes looks at an institution specialising in shipping finance

'The kind of financing which is of little interest to banks'

There is more to the Skibskreditfond (DSK) than meets the eye, according to Mr Bo Jagd, the fund's managing director. Or – as he says while trying not to sound too boastful – "We can't find a bank in Europe that is a bigger shipping finance portfolio than we have."

"We are a household name here at home, but we are hardly known anywhere else," Mr Jagd says, but he predicts that this will soon change. So far the fund, a specialist bond-issuing mortgage institution providing long-term finance for ships, has been funded entirely in the domestic market, but he expects that within the foreseeable future it will go into direct dollar financing.

The DSK is a substantial institution by Danish standards. Its DKK47bn balance sheet and DKK39bn loan portfolio ranks it alongside Giro Bank, which is the country's fifth largest bank. But the DSK is in the business of long-term finance. Typically, it provides 14-year loans secured by funding with a 14-year maturity – a kind of financing which is of little interest to banks.

Loans are provided for new building of ships and conversions of ships at Danish shipyards for Danish and foreign owners, and Danish owners for the acquisition of ships and second-hand tonnage, as well as for the sale, to foreign owners, of Danish ships.

The substantial DSK portfolio reflects the fact that Denmark boasts a large commercial fleet and a substantial shipbuilding industry. There are two big shipping companies: A.P. Moller-Maersk, which is one of the world's biggest, probably known for the Maersk Line (one of the world's biggest companies in container-carrying liner shipping); and the Lauritzen group, which is especially prominent in refrigerated cargo transport.

Moller owns the Odense Steel Shipyard, the only yard in Europe which has built and delivered double-hulled super-tankers. Lauritzen owns the Danyard, in Jutland, which recently won a big order to build a series of gas carriers for the American group Stolt Nielsen (the finance was

The fund has a conservative lending policy and keeps tight control over its investments

arranged by the DSK). The third important shipyard is the Burmeister & Wain Shipyard in Copenhagen.

The DSK loans are secured by first priority mortgages up to 80 per cent of the fund's evaluation of the ship. Over this level additional security is required. The DSK has a conservative lending policy and keeps tight control over its investments. This shows up in the accounts. Total loan

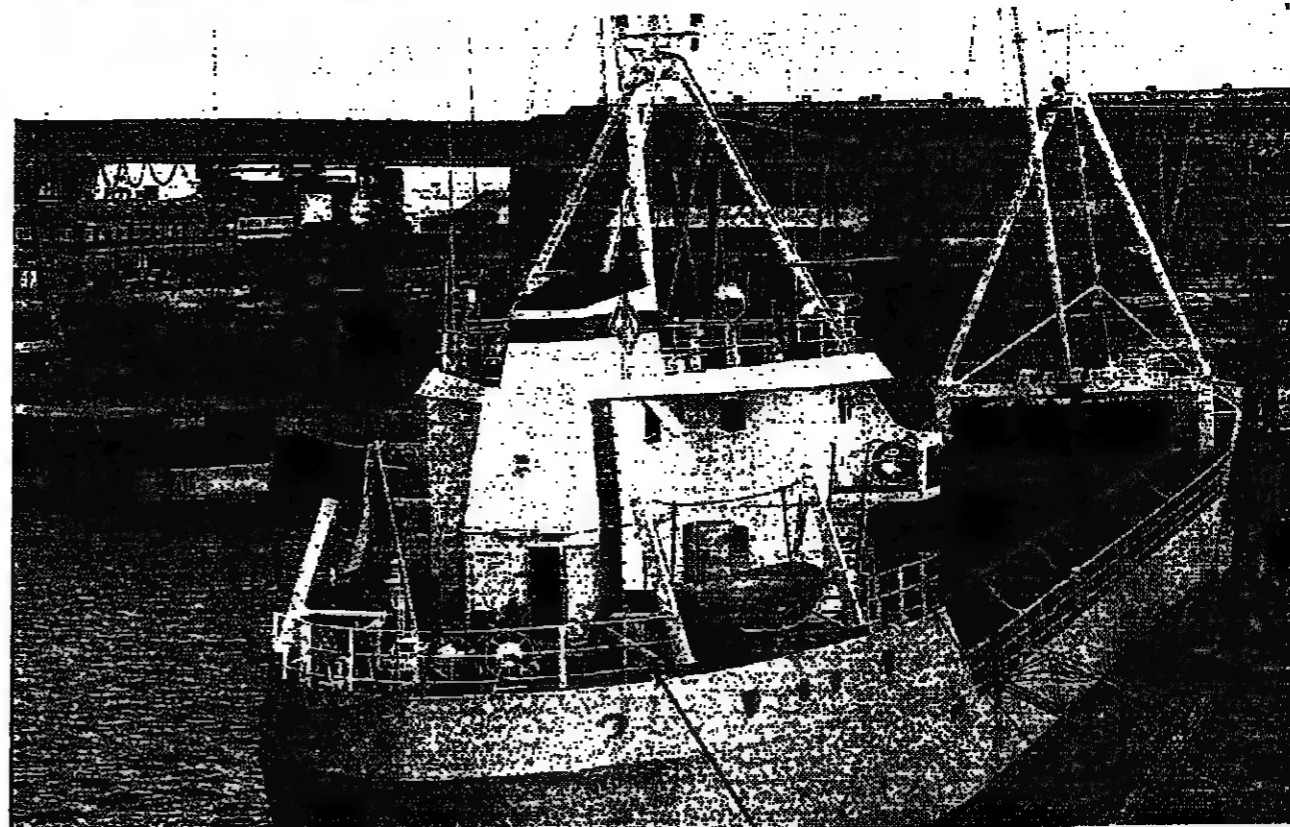
provisions in 1993 were DKK62m, or about 0.6 per cent of lending. The DSK made a net profit of DKK221m in 1993 up from DKK202m in 1992. Its equity to assets ratio at the end of last year was 11.1 per cent – although this key figure does not have the same significance for the fund as it does for a bank, Mr Jagd says, because the DSK is not subject to the BIS capital adequacy rules.

The conditions under which the fund operates are changing rapidly. Not only have shipbuilding costs been reduced by the European Union, but also there is a strong push by the OECD's member states to abolish subsidies altogether.

This, and the fact that interest rates have fallen, means that an increasing proportion of ship financing is being raised out on market terms. In the case of Denmark, much of the fund's borrowing since the 1970s has taken the form of index-linked bonds. There is a strong domestic demand for these, which obviates the need for market DSK bonds abroad.

Funding by index-linked bonds is being phased out, however, and Mr Jagd says that the fund is increasingly interested in marketing its normal mortgage bonds abroad – as well as planning to introduce dollar funding instruments.

The DSK bonds, in contrast to many of the Danish mortgage bonds, are non-callable. This gives them a structure with which foreign investors are



Loans are provided for new building of ships and conversions of ships at Danish shipyards for Danish and foreign owners

familiar. They resemble treasury bonds, but typically, carry a spread over treasury bonds of about 40 basis points.

"If a foreign investor wants a Danish element in his portfolio, he can obtain a better yield from us than from treasury bonds," Mr Jagd says. He concedes that the fund's bonds are not as liquid as treasury bonds.

In the past, the fund has done considerable business in swapping loans into floating rate dollars – which is a logical step, as ships are dollar assets. The next step, Mr Jagd adds, is to go into direct dollar financing, motivated partly by the fact that there is a limit to how much investors are prepared to do dollar swaps on loans of such long maturities.

In fact the fund has already made its first venture into dollar financing, a six-year loan on a bilateral basis. The time for more ambitious dollar financing is approaching, probably as a private placement, he says. "But there is no hurry. Situations which change too often ended up in trouble, so we are changing cautiously."

Profile: Topdanmark

Trying to come out on top

Denmark has experienced two disasters in which insurance groups Hafslund and Baltica, were collapsed as a result of judicious investments by their holding companies. There is a question mark over the future of a third group, Topdanmark, which has landed itself with a similar problem.

Mr Henning Birch, Top's chief executive since 1985, resigned on March 26, joining Hafslund and Baltica's former managing directors, Per Villum Hansen and Peter Christensen. He was succeeded by Mr Kaj G. Schou, formerly head of Top's insurance business.

Top's future is of interest outside Denmark. It is a participant in Eureko, the European insurance partnership which includes the UK's Friends Provident, AT&T of the Netherlands, Wams from Belgium, and Occidental of Portugal. Top has a 12 per cent stake in Eureko, which in turn has a 30 per cent of Topdanmark.

Top's other big shareholder is the Danish mutual group Tryg Insurance, with about 19.5 per cent. Last autumn Tryg announced that it was in Topdanmark was for sale, but there were indications that Tryg might change its mind following Mr Birch's resignation.

Topdanmark's serious error was the acquisition, in 1988, of the Jutland regional bank, Aktivbanken, for DKK1.4bn. It turned out to be a cupboard full of skeletons, and the bank has since been sold to another DKK1.4bn bank.

The chairman of the supervisory board, Mr Oluf von Lowzow (whose firm includes Lord-in-Waiting and Master of the Royal Hunt) has blamed the group's provisions on "misunderstandings" on the part of the supervisors – an allegation promptly and emphatically rejected by Mr Eigil Petersen, the chief supervisor.

Tryg's managing director, Mr Alf Duch-Pedersen, has also publicly questioned the value of the Eureko investment, which cost Top about DKK500m. But in 1993, according to Topdanmark's accounts, the group made a profit of DKK46m from Eureko.

The costs of the investment in Aktivbanken was a serious problem for Topdanmark: it had to refund about DKK1.5bn of long-term debt in 1993 and 1994.

At the annual meeting of shareholders in May, Mr Lowzow is expected to spell out the group's plan for getting itself off a potentially dangerous hook.

Hilary Barnes

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INTERNATIONAL HOTELS

Thursday April 7 1994

Eastern Europe is struggling to keep up with demand: Page IV

While recovery in the hotel market has been patchy, the message of the past few years is clear: hotel guests are demanding better service for less money. Even when the world economy has fully recovered, this trend is likely to survive. Michael Skapinker reports

Service now worth having

During the 1980s, hotels around the world treated their guests so lavishly that people joked that the next treat would be a BMW on your pillow.

By the early 1990s, hotel executives had stopped smiling and so had their guests. The Gulf War was followed by recession in the US and Europe. Hotel room rates fell, managers in many businesses lost their jobs, other feared they would do so, and everyone started cutting their travel expenses.

Hotel business has now picked up in North America, London, and in much of Asia, where the downturn had not been so severe. The question hotel executives are asking is whether their guests will return to the free-spending habits of the 1980s, or whether their behaviour has changed for good.

Mr Peter George, chief executive of the Ladbroke Group of the UK, which owns the Hilton International chain, believes that hoteliers should not lose sight of the principles of supply and demand. Hotel rates have been depressed because rooms have been empty. When rooms are full again, rates will rise, he says.

Mr Darryl Hartley-Leonard, the British-born president of Hyatt Hotels, believes, however, that hoteliers need to be aware of a more fundamental change. It is not just that hotel

guests have been unable to afford additional luxuries over the past few years. Even when they have more money in their pocket, they will not want those luxuries, he believes.

In a speech to a conference three years ago, Mr Hartley-Leonard recounted the BMW joke, and admitted that Hyatt had been as responsible as any other organisation for the hotel excesses of the 1980s.

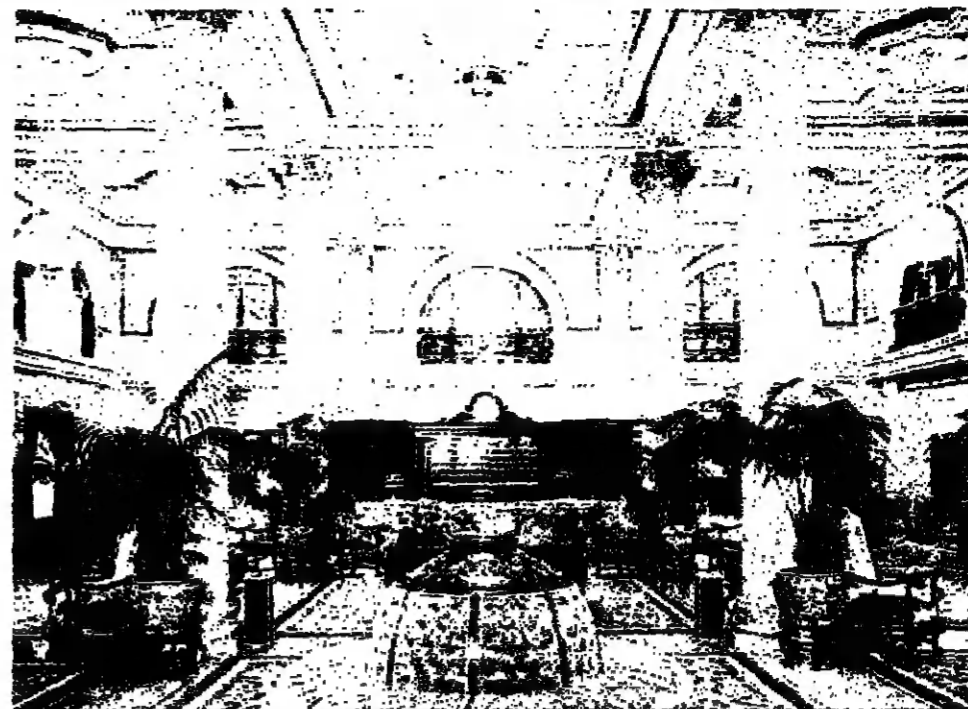
He said: "The excesses of the 1980s have become socially unacceptable. We simply need to wake up and take advantage of new times. Less is more doesn't mean quality has to deteriorate. It means that when you serve a Bloody Mary, you don't have to serve a vegetable garden on top of it. Hyatt, as much as any company, was responsible for growing that vegetable garden. It seems that all of us kept piling more and more on to the customer until it became crude."

Three years on, Mr Hartley-Leonard believes the reaction against hotel excesses will continue after an upturn in business.

"What happened in the US and what is happening in many parts of the world is that an element of conservatism is coming in. In the 1970s and 1980s matters got out of control. We created an unstable business environment. That has caused a rejection of waste. Anything that is remi-



Facilities for two grand old ladies: the Regent hotel in London - British Rail's old headquarters - has opened after a £75m refurbishment; and the International Hotel in Washington DC, also restored to its former glory



niscient of the excesses of the 1980s is rejected as inappropriate," he says.

Mr Michael Stajdel, senior vice president for marketing and strategic planning at Inter-Continental Hotels, agrees, arguing that the change in hotel guests' attitudes mirrors developments in sectors such as retailing. Customers are not necessarily looking for the cheapest offer but they are considering their purchases more carefully.

Mr Stajdel says: "I don't think any consumer today shops the way he or she used to. We have all changed the way we shop in the supermarket. I look at the labels, the freshness of the goods, and at the overall cost."

Mr Stajdel, who is based in London, believes hotel guests will pay for services, if they believe they are worth having.

So what services do hotel guests value? Hyatt's research shows that while hotel guests want choice, they do not need an excessive amount of it. They expect hotel restaurants to have enough staff to ensure they can be served promptly. Indeed, they want to spend less

Overall Performance Measurements* 1992

	Occupancy Rate %	Average Daily Rate \$	Total Revenue \$	Income Before Fixed Charges \$
All hotels	61.6	72.20	32,068	8,468
Africa and the Middle East	60.5	65.52	30,666	8,329
Middle East	72.4	66.21	42,683	13,288
Africa	60.8	65.40	27,265	4,067
Asia and Australasia	69.7	77.93	54,937	9,735
Asia	71.0	84.51	58,985	14,130
North Asia	63.4	65.19	35,493	10,869
Australasia	58.3	85.53	33,138	4,539
North America	60.1	55.13	18,183	3,551
Canada	54.3	69.85	21,427	3,620
United States	60.1	54.33	17,794	3,551
Europe	60.8	77.16	38,383	10,019
Continental Europe	62.4	104.3	44,570	10,243
United Kingdom	58.0	70.41	36,431	10,325
Latin America	58.7	58.06	18,645	2,455
Mexico	60.4	68.31	24,285	2,552
South America	50.1	44.73	15,747	2,775
Caribbean	72.3	29.38	17,639	1,422

*Based on metrics Source: Hersh International

time in the restaurant than in the past. Offered a choice between a wine list with 100 bottles on it and one with 30, Hyatt says its guests opt for the smaller list.

There are some new services that hotels need to introduce because guests constantly ask for them. Because 63 per cent

expected to do more work on their trips than ever before and they are even prepared to pay extra for an environment which enables them to work more efficiently.

This has led to the appearance in hotels of a service which airlines have been selling for years: special business sections for those prepared to pay for them.

Business floors in hotels appeared in Asia some years back. Mandarin Oriental, the Hong Kong-based hotel group, has such floors at its establishments in Singapore, Manila and Jakarta, where guests have their own check-in and check-out facilities and lounges, as well as facsimile machines in every bedroom.

Inter-Continental, which also has business floors in Asia, has now begun to introduce them in Europe. The first was in Frankfurt, and the second is in London.

Mr Stajdel describes the floors as having "the ambience of a private club. It's intimate and clubby. There's a complimentary continental breakfast, a business centre, and a library with reference books and mag-

azines." Guests pay \$35-\$50 a night extra for the privilege.

Mr Stajdel admits that one of the incentives for introducing business floors is that small, intimate "boutique" hotels had been taking business away from the large chains. He argues that business floors provide guests with the intimacy and service of a small hotel, while still providing access to facilities only available in a large establishment, such as a choice of restaurants and a fitness centre.

Even those hotel guests not paying to stay on the business floors have higher service expectations. Mr Hartley-Leonard says that they now want efficient business services rather than lavish gifts, and they want messages delivered on time and access to telephones and facsimile machines.

If hotels are to deliver these services while still achieving acceptable levels of profits, they need to turn to technology to help them to do so. Technology can help to reduce the amount of time that travellers waste in hanging around. At Hyatt's hotels at O'Hare

airport in Chicago and in Atlanta, the company has been testing automated check-in machines which, if successful, will be introduced throughout North America. Mr Hartley-Leonard says the machines are not designed to replace the reception desk, but to provide an alternative for guests who want simply to collect their keys and go straight to their rooms.

The device looks like a bank's automated teller machine. A guest with a reservation inserts a credit card. Check-in information appears on the screen, the guest taps a series of Yes or No buttons, and the machine dispenses a room key. Guests can also check out of the hotel by inserting a credit card into the machine, which shows the expenses they have incurred during their stay and prints out a copy of the bill.

Some people might regard the hotel checking-in machine as providing too impersonal a welcome after a long trip. Mr Hartley-Leonard argues that the same was thought about automatic cash dispensers. In time, these caught on.

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INTERNATIONAL HOTELS II

Paul Taylor investigates developments to attract the business traveller

Forget the rudimentaries

Advances in portable computing and mobile telecommunications over the past decade mean that many business travellers now arrive in the hotel lobby carrying a shoulder-bag of high tech gadgets, including notebook PC, modem and perhaps even a cellular telephone.

Large hotel chains on both sides of the Atlantic recognise that many guests are no longer satisfied with rudimentary centralised business facilities such as front desk telex machines, aged photocopiers and outdated switchboards.

At the very least, many business travellers now expect a business centre furnished with the latest telecommunications, printing and PC equipment.

And some are demanding at least some of these facilities in their rooms.

In the 1990s, when productivity and efficiency are corporate bywords, an increasing number of travelling businessmen and women are sending a clear message to hoteliers that they will no longer tolerate bed-side telephones, cramped desks, inadequate lighting and inaccessible power sockets.

Today, they expect to be able to turn their hotel rooms into offices capable of communicating directly with the outside world.

The Hyatt Hotels group is one of the chains which has acknowledged and responded

to this demand. Earlier this year, Hyatt announced that all 85 of its US and Canadian business hotels would provide its "Business Plan" facilities by the end of March.

Hyatt's business plan facilities include facsimile machines in every guest room, and business equipment including desktop computers, laser printers, photocopiers and office supplies accessible 24-hours-a-day, on every Business Plan floor.

In addition, Business Plan guest rooms feature large desks, a desk telephone with computer hook-up and enhanced lighting. The desk lamp even has a power outlet on its base so that guests do not have to dive under the desk to find a socket to plug in their portable PC power adapters.

Hyatt charges its Business Plan guests an extra \$15 a day on top of room rate for the additional facilities - which also include complimentary local 800-number and credit card telephone access. If the programme proves successful, it will be extended to Hyatt hotels overseas.

The Chicago-based hotel group developed the business plan after a telephone survey of 500 business customers revealed that 72 per cent feel more "pressure to produce" on business trips than they did five years ago. 58 per cent said they spent "more time working in their hotel rooms than they did five years ago."

All six Inter-Continental and Forum hotels in the UK have added new business products

Other international hotel groups have also begun to respond to these pressures. In the UK, all six Inter-Continental and Forum hotels have recently added an extensive range of new products and facilities aimed at the international business traveller.

These include state-of-the-art business centres, voice mail systems and other advanced telecommunications facilities such as mobile telephone hire. For example, last year the George Inter-Continental in

Edinburgh installed what it claims is the most advanced telephone system in operation in any Edinburgh hotel. Facilities include two telephone lines in each guest room, enabling in-room facsimile services, the allocation of individual private telephone numbers for incoming calls to guests, automatic check-out from guest rooms, and a sophisticated television messaging system.

However, the most extensive refurbishment, totalling \$9.5m, is taking place at the Churchill Inter-Continental in London. It includes installation of a new Club Inter-Continental "executive floor" modelled on a concept introduced by Inter-Continental in the Pacific/Asia region two years ago.

Guests staying on the Club floor (which was officially opened at the Churchill earlier this month) have their own swift check-in/check-out facilities on the floor. Multi lingual staff are available to assist with business and travel arrangements.

Each Club floor guest room features a dedicated fax/modem line in addition to an

international direct dial telephone line - fax machines are available on request and are supplied in all suites. Transatlantic travellers in particular will appreciate the dual 110/220 voltage power sockets in each room.

By providing such specialised business facilities, hotels hope that they will retain a competitive edge over their rivals and continue to attract the all-important business traveller. Features such as extra telephone lines and in-room facsimile machines certainly provide the business traveller with added convenience. Others make hotel bedrooms more "office-friendly". Nevertheless, technology is already helping the seasoned traveller overcome many of the limitations of less well-endowed establishments.

For example, portable high-speed fax-modems - including some which plug into the credit-card sized PCMCIA slots on the newer notebook computers - now enable portable PC users to send and receive facsimile messages directly from their screens via a standard telephone line.

If secure voice-only telecommunications are required, then the business traveller will soon be able to use one of the new pan-European GSM-standard digital cellular telephones to make a telephone call almost anywhere in Europe.

Where hard-copy paper printouts are required, lightweight high quality portable printers are now available, as are notebook PCs with in-built ink-jet printers - such as, for example, those from Canon - and portable facsimile machines. But despite miniaturisation, squeezing all this gear into a shoulder-bag - let alone operating it - can require considerable skill and cunning, and lifting the bag may still require weight-training.



The Plaza in New York: communicating directly with the outside world

Repeat business has become a high priority, says Christopher Price

'Come back and see us'

As competition has intensified in the hotel market, so also have the hoteliers' efforts to retain their existing customers. Loyalty programmes have become an integral part of the international hotel industry's operations.

More attention to service, room rate discounts, special packages and subsidised restaurants have always been a part of the industry to a greater or lesser extent.

But the ferocity of the recession has focused attention on what may have once been considered marginal extras, and many chains have now attempted to quantify these into a package designed to retain customer loyalty.

The basic tenet of all the programmes is that the more frequent the stay, the higher the reward for the customer. Airline flights, car hire, restaurant meals, and sporting facilities were the main benefits originally offered to encourage repeat business. All of these items are now included in the large number of loyalty packages employed by the luxury hotel chains.

And in the drive to make the programmes more "personalised", intrinsic services such as newspapers delivered to rooms, room upgrades, cheque cashing, express reservations and check-in have become prerequisites.

Marriott, the big US international hotelier, was a pioneer of loyalty programmes. Its Honored Guest Award scheme - begun in 1983, now with 5m members worldwide - is typical of the genre.

Members earn points during each Marriott stay which can be exchanged for travel awards. And in line with

repeat developments, the hotel has joined with a variety of associated organisations to make the programme more attractive: British Airways, Continental, Delta, Northwest, TWA and USAir are some air-cruise ships and associated hotel groups are also involved.

It is a similar story at Holiday Inn Worldwide: its Priority Club has a membership of

them stealing market share."

Mr Pierce agrees. "Marriott's launch in the US did initially give it an advantage, but now everyone's doing it and the advantage has slipped away." He adds: "Whether it's a zero sum game is a subject of hot debate in the industry. You can reach a level of parity, but the programmes give an organisation the chance to maximise its strengths."

Another flaw with these programmes is that they are designed only to keep customers, not to attract new ones. Despite these misgivings, most industry executives agree that loyalty programmes are here to stay. Mr Pierce believes the future will see competition between programmes intensifying.

"The programmes are likely to become more focused as

Market Data* 1992

	All Hotels	Africa & the Middle East	Asia and Australasia	North America	Europe	Latin America
Domestic Foreign	47.0 53.9	18.2 81.8	33.6 66.4	85.3 14.7	47.4 52.6	53.5 46.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Repeat Business %	36.7	32.7	32.9	41.0	35.5	47.1
Government Officials	3.9	11.3	4.6	6.5	1.8	4.9
Business Travellers	33.6	38.6	30.7	28.5	37.4	32.6
Tourists (individual)	24.8	9.4	27.4	26.1	22.9	24.8
Tour Groups	17.4	13.6	20.1	7.8	16.6	23.4
Conference participants	11.3	7.8	7.5	22.9	12.1	8.2
Other	9.2	19.3	9.7	8.2	9.2	6.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

*HOTELS INTERNATIONAL

Source: Hotels International

Mr Ken Pierce, vice-president for Worldwide Frequency Marketing at the company, says that one positive benefit has been the huge amount of information and feedback from their most frequent customers. "The customers now have a reason for telling us exactly what they want, simply because they now have an incentive for returning."

"Loyalty programmes work for the very frequent traveller, and for the hotels there is evidence that they do build some degree of loyalty," says Mr Rik Danielson, managing director, sales and marketing, at Forte.

"In the case of companies such as Holiday Inns, we capitalise on being in a large number of locations, against a smaller or regional operator. And there are other situations where our huge distribution ability gives us the advantage."

Mr Danielson worries that too much time and effort might be put into loyalty programmes at the expense of other services. "The industry battlefield is loyalty programmes, there's no doubt about that. But the question we must keep asking is: are we spending too much on these at the expense of basic services?"

This will lead to a shift in advertising as less expenditure is put into broad advertising coverage and more into individualised schemes."

He also believes that partnerships between hotels and other organisations, to attract and retain customers, will grow and incorporate a whole new range of retail groups.

Mr Danielson foresees fewer customers at the top level, but a sector of customers who are more selective. "What makes today's customers different is that they really expect to receive value for money," he says.

Sarah Wilkins considers the needs of women travellers

Gender goes on the agenda

Female business travellers are finally being treated like their male counterparts and not as either inferior or non-existent guests.

Compared with 10 years ago, hotels are responding more positively to the lone woman guest - and the woman host in hotel restaurants. Discrimination still lingers, however, particularly with older staff, but examples are few and far between in the mid-1990s.

It has been a long haul. Hotel amenities have slowly improved for women. Hair dryers are the norm. There is better lighting; bathrobes; skirt hangers; ironing boards; door spy holes and door chains. (These benefit the male guest, too.)

But lobbying by the female travellers' sorority was not only about amenities. Staff attitudes and certain procedures were also criticised.

Security issues were central. Allocating women rooms at the end of long, dark corridors, for example, or reception staff loudly calling out room numbers at the check-in desk, were two worries. Technological advancements - such as plastic, numberless, computer-driven key cards presented in discreet folders, and the disappearance of the key display behind the counter - have helped reduce the latter concern.

At first, some few hotel operators bothered enough to take action went too far, giving women special products and treatment which only served to alienate those the hotels were trying to reach. (Ironically, Crest's - now owned by Forte - "female rooms", called Lady Crest, were requested more frequently by male guests than by their target customers.)

The Victoria and Albert

hotel in Manchester offers a ladies' wing monitored by video cameras and equipped with panic buttons. Women do not want to be singled out for special treatment; this can be patronising. What they want is equal treatment in service and courtesy offered - and not to be ignored.

"The thing which really annoys me about hotels is that I always get the room with the longest walk to the lift and, in a restaurant, when I'm entertaining a man, unless you make it clear that you're the host, the waiter inevitably

adds because of, but not specifically for the female business traveller," says the survey.

American businesswomen travelling in the US have a better time of it: US hotels woke up to this new market sector years ago. Women now account for an astonishing 40 per cent of the total US travel market (Hyatt reckons a more conservative 25-30 per cent) and, on a global basis, a figure of about 35 per cent - and growing fast. By the year 2000, only six years away, it is estimated that women will represent half the business traveller market. In the UK, American Express reckons the women's market share is nearly 20 per cent of all travellers.

In a hotel market hit by recession, travel suppliers are putting gender on the agenda. Smaller, less impersonal, "boutique" hotels, many managed by women, or with a higher proportion of female management, have eased the problem. So has women's improved confidence; they are more likely to be vocal - and to vote with their feet.

Restaurants, often the domain of older staff whom changes in society may have passed by, remain an area of concern.

Most have not had the experience of treating women on an equal footing and prove impervious to change. Ramon Pajares, general manager of the Four Seasons Inn on the Park hotel in London, stresses that older staff need more training. It is commonplace for a woman dining alone to be given the worst table in the house - next to the lavatory or the kitchen door. No wonder most women take room service and an in-room movie for their evening's entertainment.

The emergence of hotel executive floors has alleviated this to an extent: the better ones offer complimentary canapés in a small, friendly lounge area - a far better option than being snubbed in a public restaurant.

Wine waiters are good at snubbing women - they tend to offer the wine to the male guest to taste, although the female host has just ordered it. Similarly, there is still a tendency to give the bill to the male guest, although it was the woman host who asked for it - and, finally, to return the credit card, clearly bearing the name of the female owner, to her male guest.

But if this is the last hurdle, then female business travellers have at least made progress.

Christopher Price finds that conferences provide a safety net

Smaller venues work better

While discounted room rates and empty beds have become the norm during one of the industry's worst downturns, conferences have emerged as a vital part of many hotels' financial well-being.

As a result, many hotels are expanding their facilities and increasing investment in an attempt to win a bigger market share. The importance of the conference business should not be underestimated. For a primary business centre hotel, industry estimates put earnings from conference business at between 30 per cent and 40 per cent of total revenue. (Those in the industry stress that these revenues are additional and do not displace other sources of income.)

They are particularly important out of season, and one of the main developments has been in the type of venues required. "Meetings used to be held in very large venues in big gateway centres," says Ms Cam Cooper, vice-president of conference sales at Holiday Inns. "Now the trend is towards regional and secondary market meetings."

Mr Rik Danielson, managing director of sales and marketing at Forte, says the demand for conferences - and for a wider variation in venues - is partly the result of advances in information technology. "Training and information conferences have become the important way to re-tool for the 1990s."

While demand has, in the words of one hotel company executive, been "solid" during the recession, there are signs that the recovery will give the conference trade a further boost. Meridien Hotels, the French-owned international group, reports a doubling of conference inquiries in the past year, and a similar rise in converted bookings. Two-thirds of the confirmations are in Europe.

Mr Danielson believes this is also because conference organisers put more

Not surprisingly, hotels are concentrating their efforts on improving their service

emphasis on quality than on getting reduced prices. In a recent poll of organisers conducted in the US, the most important requirements from hotels were also the most basic: good-sized well-fitted meeting rooms, basic materials such as projectors and stationery, and efficient service. The package price was well down the list.

Not surprisingly, hotels are concentrating their efforts on improving their service, while at the same time trying to keep ahead of the opposition. All the big international hotel chains have moved to coordinate their conference business.

For example, Holiday Inns has introduced its Conference Network system

which aims to underpin the group's consultancy role.

Videoconferencing is one area being given much attention, as are more basic items such as en suite fax and video facilities in all meeting rooms.

Incentive travel is another source of additional income allied to the conference business. Travellers are often participants in VIP packages and receive corresponding service. "Consequently the hotels enjoy the revenue from banquets, gala dinners and special themed events taking place under their roof," says Mr Sarah Webster, executive director of the UK-based Incentive Travel and Meetings Association, "plus all the extras from room service".

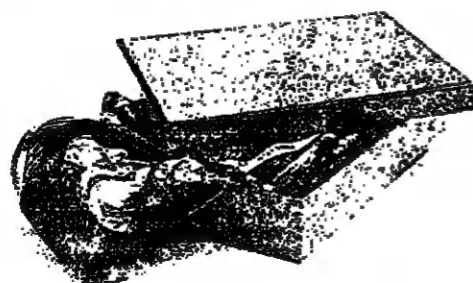
However, there are some elements of concern in the industry. The number of venues offering meetings facilities has grown significantly and, despite reports of growing demand, some hoteliers privately tell an opposite story of intensifying competition and consumers beginning to shop around for the best deals.

The growing trend to hold shorter meetings is undermining the lucrative accommodation spin-off.

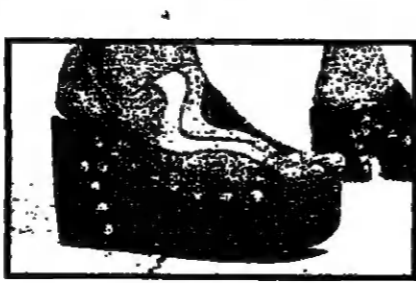
Running costs are also high, and there are worries that a rash of special package deals introduced by some of the large chains to fight off smaller more flexible - and cheaper - rivals, may become the norm.



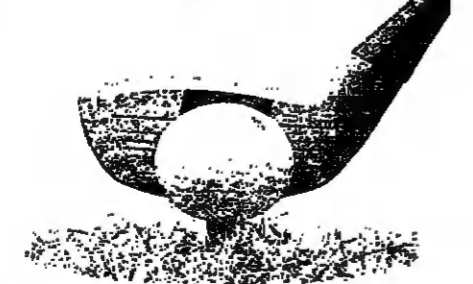
1. This is the business traveller checking out of his hotel.



2. This is the flight which left in three hours.



3. This is the scarf his wife wanted uptown.



4. These are the shoes his girl wanted downtown.



5. This is the club he wanted in town.



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INTERNATIONAL HOTELS IV

The hotel market in the former Soviet Union and eastern Europe is struggling to catch up with demand

It is hard to beat a way into Moscow

When a couple of cleaning ladies launched a \$10m lawsuit against a leading western-managed Moscow hotel for their allegedly unfair dismissal, their tale joined the list of horror stories the western business community likes to tell about the hazards of investing in Russia.

"This country is crazy, you know... the judge will probably award them the money," said one western construction executive. "Oh, no, they won't. The judge is simply waiting to

Problems include ambiguous property rights

be paid off not to," said another western entrepreneur, involved in tourism.

The ladies apparently hit on the amount of \$10m through a mistranslation of the conditions of a strict merit system. This had been introduced by the Radisson group, which manages the hotel in question, and said that employees were free to determine the size of their bonuses.

The story also points up the particular difficulties facing western companies involved in building, refurbishing, and managing hotels in Russia. Despite being one of the Russian capital's favourite hotels for western visitors, with more than 85 per cent occupancy, the Radisson-Slavyanskaya Hotel shares many of the difficulties facing hoteliers in Russia.

The advantages of a western-managed hotel such as the Radisson are also clear: with demand for quality rooms outstripping supply in Moscow, such hotels command a seller's market, despite the gradual encroachment of some degree of competition as new projects are - painfully - completed.

The rewards to be made by those who have succeeded in beating their way into the market are increased by the considerable obstacles to others entering the market.

Apart from a primitive legal system, ill-adjusted to the complexities of market economics, problems include ambiguous property rights, and conse-

quent difficulties in raising finance for new projects. In the case of the Radisson-Slavyanskaya Hotel, the question of who actually owns the building remains the subject of competing claims among successor state and semi-state organisations to Intourist, the former state monopoly.

In addition, the authorities' powerlessness to enforce their own rules may be illustrated by a railway workers' relaxation club still standing on the grounds of the hotel, despite an order for its demolition by the mayor's office in late 1992.

A major factor slowing down the building of new hotels, as well as the refurbishing or rebuilding of Moscow's decrepit old hotels is the difficulty raising finance for Russian projects - partly because of the absence of a system for lenders to register their legal charge, and of a legal system capable of enforcing their rights.

Endless rows over the ownership, financing, and management of the decrepit Hotel National, on a prime site just opposite Red Square, have meant it is still under scaffolding more than two years after work started.

Some Moscow city government officials had promised Rogner, the Austrian construc-

Progress towards more transparent decision-making

tion group, a crack at managing the hotel in compensation for payment delays for the renovation.

This in turn has clashed with a contract signed by other Moscow authorities with Marriott, the US hotel group, for it to manage the hotel. Other bits of Moscow's byzantine city administration have decided to hold a tender to select yet a third western company.

But after just two years of market reforms, some progress is being made towards more transparent decision-making, and time is likely to cure many of the worst problems of Russia's infant capitalism.

Layla Boulton

The quality of Warsaw hotels is uneven at best, but the city presents the sentimental traveller with an unrivalled opportunity to relive most post-war eras, as the Polish capital slipped from Stalinism in the 1950s to the political and cultural thaw of later years, and on to the entrepreneurial free market present day.

Few remember, for example, that the fin de siècle Polonia near the main railway station, now catering to the rougher end of the market, was once - in 1945 - home to the entire diplomatic corps in a rubble-strewn city still waiting to be rebuilt.

That reconstruction resulted in the stern Stalinist interiors of the Warszawa hotel - ideal for those wanting to indulge in Le Carré spy fantasies - and the down-at-heel Grand, originally built in the 1950s, for bureaucrats coming into Warsaw ministries to arrange for allocations of ever-scarce resources.

The Grand remains a handy place to await tardy decisions from the privatisation ministry

Since the collapse of communism in central and eastern Europe, Prague has been one of the most popular destinations for visitors to the region.

But while the huge influx of visitors has been good news for local tradesmen and commerce, it has caused overcrowding at favourite sight-seeing spots such as Charles Bridge and Prague Castle, and suitable accommodation has been both more difficult to find and more expensive.

The flow of tourists seems to have slowed this winter, though it may pick up again in the spring and summer, and it has been easier to book a hotel room. Scarcity of accommodation, however, means that prices remain high even in comparison with other European capitals, and the quality of service has yet to catch up with prices.

Luxury class international hotels include the Forum, just two metro stops away from Wenceslas square; the new Atrium, which is slightly off the centre but boasts extensive business facilities; the Intercontinental, not far from Old Town Square; and the Jalta, on Wenceslas square.

All these hotels are, broadly, "modern" buildings, except for the Jalta which has been completely refurbished with pleasant rooms overlooking the square. The Jalta is less formal and staff tend to be more friendly.

Sentiment in Warsaw

next door - recognised as such by SG Warburg, a faithful government adviser which appears to have rooms there, as offices, for the duration.

Next comes the 19th century Europejski with its faithful clientele and low prices which help to make up for the lack of refurbishing needed to enhance its potential as a provider of old world charm.

Across the road stands the Bristol Hotel, once as shabby as its neighbour, but it has been relentlessly restored by Forte. Now it holds pride of place as the classiest and most expensive of the city's hotels.

Long gone, though, are the days when the bars in both these hotels were home to the

rebellious intelligentsia and the communist party liberals, as well as to the foreign press reporting the 1956 liberalisation, when Poland was the "merriest barracks in the Soviet camp".

The foreign loan-financed investment boom of the 1970s saw the building of the Forum Hotel at the busiest intersection in

The Marriott hotel chain came to the city five years ago

Warsaw: an upright shoe box design, devoid of charm. It seems invariably to host package tours of elderly Polish Americans and young Israelis all intent on seeking their roots.

The Victoria Inter-Continental, convenient for the finance ministry and within view of Warsaw's chunky opera build-

Prague offers diversity

Hotels continue to charge foreigners several times more than the local residents for the same room - an unacceptable hangover from former communist days when westerners were seen as a source of easy money.

Bed and breakfast in a private home will be cheaper

For those who do not wish to pay \$200 or more per night, there are a few smaller hotels on the Mala Strana side of the river. Alternatively, if you are planning to stay for a week or longer - and having a telephone or someone to take messages while you are out is not absolutely essential - bed and breakfast in a private home will be cheaper. The Czech tourist office should be able to provide you with a list of accommodation, but it is important to remember that you will need to do your own shopping for basics and that few people speak English in local shops.

The quality and speed of service varies considerably even

among the more expensive hotels, confirming the old adage that paying more does not necessarily mean better treatment. It is best to be patient.

Prague has quickly adapted to some less appealing western traits, and petty crime and thefts have risen considerably in recent years. Don't leave a car with a foreign number plate parked on the street at night, but use the hotel car park or one of the few car parks near the city centre. (The latter are expensive, but your car will be safe.) Street parking in the centre of town is almost entirely limited to permit holders, so choose your spot carefully, otherwise your car could be clamped - and possibly towed away. It will take time and the payment of a fine to get it back.

The large hotels usually have their own taxi service.

Patrick Blum

Chefs' stars create a transfer market

Continued from previous page

Hotels in those days had dining rooms, not restaurants; and many newly-opened hotels in the 1970s opted for 24 hour coffee shops, followed the American fashion.

David Levin was the first to challenge this.

He opened the Capital Hotel in Knightsbridge which, in the French tradition, he called "a restaurant with rooms" rather than a hotel with a dining room. Across Hyde Park, hotel restaurants were given another shot in the arm by the arrival of Anton Mosimann at the Dorchester - where he was actively promoted by the controlling McAlpine family.

In 1974, Michelin produced its first red guide to the UK. Awarding stars to hotel restaurants immediately identified the chefs.

For the first time, diners went to eat Michel Bourdin's food rather than simply to dine at the Connaught - just as they went to discover what Peter Kromberg was cooking at the Inter-Continental, or Bernard Gaume, at the Hyatt Carlton.

Competition between the hotels was established, and the fires further stoked, by annual appearances in Michelin.

All the hotels needed was a separate kitchen for their prestigious new restaurants and cash to buy the culinary stars. As with top footballers, chefs are in a transfer market.

When Bruno Loubet decided to leave the Four Seasons hotel, having won a Michelin star for his cooking, the hotel was able to replace him with Jean-Christophe Novelli, who had won his own star in Hampshire.

Forte did the same thing twice, importing Nico Ladenis (and his two Michelin stars) into the Grosvenor House, and Marco Pierre White (and his stars) into the Hyde Park Hotel.

As international business hotels vie for column inches around the world, and for local custom, a distinctive restaurant has become essential; as important - although possibly for opposite reasons - as a swimming pool or exercise rooms.

Michelin made it possible for all the hotels to compete, by making it clear - albeit as one

of its many unwritten rules - that when a chef won a Michelin star, that star was transferable. Hotels have adopted varying tactics to keep their restaurants in the news. International Hotels' St James Court boasts three different cuisines - Chinese, Provencal and international - under one roof. It has just put on an Austrian food festival, with one of that country's top chefs.

Over in Piccadilly, Le Meridien boasts a Michelin-starred chef in David Chambers, but the hotel flies in Michel Lorain, a three star Michelin chef in Joligny, France, as consultant and inspiration for its seasonal menus.

What has united international hotels and top chefs most closely, however, has been the recession and the Gulf War. The consequent fall in conspicuous consumption

has forced hoteliers to try to make every inch of their buildings pay. Chefs such as Ladenis, White and Robuchon, who prospered during most of the 1980s, have been persuaded to sacrifice their independence for the opportunity to continue cooking with such expensive ingredients as foie gras, lobster and truffles.

For the chef, the association with a top hotel has also often brought with it a well-oiled publicity department only too keen to promote his name, his cookery books, and even his range of preserves.

Over the past five years the big transformation in London hotel restaurants has been brought about via an association with a top chef. It has been an expensive process and one whose heavy investment - in personnel, refurbishment and new crockery - may not yet be showing a substantial return.

An alternative strategy, pioneered by Bill Kimpton in California, may hold the solution for London's hotel restaurants in the future. His company, Kimco Hotel & Restaurant Management Company, now manages restaurants in 17 different hotels where it pays the hotelier a rent and a percentage of the takings.

This arrangement has so far proved extremely successful for both the hotels and restaurateurs. It would come as something of a shock to Colonel Newnham-Davis.



The Shangri-La Hotel, Singapore

Michael Skapinker on property

More than just a place to sleep

A US company said recently that Russian property law was in such disarray that it had no idea who owned the hotel it was running in Moscow. Hotel companies in the US and western Europe usually know who owns their establishments; the difficulty is finding investors who want to own them.

The established patterns of hotel ownership in the US and Western Europe were severely disrupted by the fall in property prices in the late 1980s and early 1990s. Hoteliers and investors are now having to establish different strategies for financing hotel acquisitions and new buildings.

Mr Paul Slattery, a London-based leisure analyst with Kleinwort Benson, says the relationship between US hoteliers and property investors used to be stable. American financial institutions regarded hotels as a worthwhile investment. They would buy the bricks and mortar and give a hotel group a contract to run the establishment.

The US financial institutions employed hotel experts and analysts, some of whom became well-known figures in the travel industry. Other, smaller investors also became involved in hotel property ownership, which provided them with tax advantages in the US.

The frenetic pace of hotel building, however, meant that the supply of hotel rooms in the late 1980s began to outstrip demand. The economic downturn, the drop in hotel occupancy and the fall in property asset values combined to make the hotel industry a far less attractive proposition.

Mr Darryl Hartley-Leonard, president of the Hyatt Hotels Corporation of the US, says: "Business in the 1980s was based on the belief that inflation would increase and demand would grow with supply. Both were violated."

The Marriott Corporation of the US illustrates the dilemma. Marriott's strategy during the 1980s was to build hotels, and then sell them to limited partnerships which as tax write-offs. A combination of changes in US tax laws and falling property prices put an end to this strategy in the late 1980s. Marriott responded by selling off some of its operations, such as airline catering, fast foods and restaurants.

Then, at the end of 1992, Marriott announced it was splitting itself into two companies. One, Host Marriott, would specialise in owning property assets; the other, Marriott International, would run hotels. After a year of dealing with the protests of bondholder groups, the split was formalised in October last year.

Mr Stephen Bollenbach, Host Marriott's president and chief executive officer, says the split has had a positive effect: analysts and institutions who follow his company are now specialists in property rather than leisure and understand the prospects for his business better. Host Marriott's share price has risen sharply since the beginning of the year.

At the end of last year, InterContinental Hotels, owned by the Japanese Saison group, announced it was following suit. By the end of this month, InterContinental should also

have formalised the formation of two companies - one managing hotels and the other owning properties.

Hotel groups in Europe faced a slightly different problem. European hotels were smaller and there were fewer large chains. Many hotels were family owned. European hotel groups which wanted to expand and did not want to invest in new property assets said they hoped to acquire management contracts. Some one else would buy the hotels; they would run them.

Mr Slattery of Kleinwort Benson says the traditional structure of a management contract was that the managing company would receive a fee calculated as a percentage of turnover, say 3 per cent, and, typically, 10 per cent of gross operating profit.

The difficulty for those companies seeking management contracts is that investors in property assets are no longer prepared to bear the risk alone. Mr Hartley-Leonard says bluntly: "The pure management contract has gone. People investing in hotels want to know that the operator is committed to them."

Mr Peter George, group chief executive of the Ladbroke group of the UK, which owns Hilton International, says there are exceptions to this in the developing world. Where the local government believes the presence of a Hilton hotel, say, would increase the attraction of the country to investors and business travellers, it might be prepared to take ownership of the property and ask the Ladbroke subsidiary to manage it.

In other parts of the world, however, companies investing in hotel assets are demanding that the operating company takes a partial equity stake or guarantees specific rates of return to the owner.

But who are these brave individuals who are prepared to invest in hotel assets? In Asia, where there is still a need for new hotels, Mr Slattery says there are property groups and wealthy individuals interested in building or owning hotels.

There are also companies with an interest in buying European hotels. When the debt-laden Ciga group, an Italian-based luxury chain, went on sale recently, there were at least three serious bidders: Host Marriott, Forte of the UK and ITT Sheraton of the US, the eventual winner.

The Forte bid was particularly interesting. Forte originally offered to take over the management of Ciga for \$33m in cash. Forte also agreed to insert some of its own luxury hotels, with a value of about \$125m into a Ciga operating company.

When it became clear that other bidders were offering more cash, Forte teamed up with the Quantum Fund, owned by Mr George Soros, the US investor. Together they offered \$270m. Although the bid was topped by ITT Sheraton, Mr Slattery believes the Forte/Soros combination is an example of the new sorts of financing arrangements that hotel companies will now be examining.

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